



E20 Stadium LLP – Board Meeting 28.01.16

Exempt Information: This Agenda is exempt from disclosure pursuant to Section 43 of the Freedom of Information Act 2000, in that it contains commercially confidential information.

Agenda

Meeting: E20 Stadium LLP

Date: 28.01.2016

Time: 2pm – 4pm

Meeting Venue: LLDC Marketing Suite, Level 10, 1 Stratford Place, E20 1EJ

Member Representatives Expected:

David Edmonds (LLDC and Chair), David Gregson (LLDC), Nicky Dunn (LLDC), Robin Wales (NLI), Lester Hudson (NLI)

(Ex-Officio Members) David Goldstone (LLDC), Kim Bromley-Derry (NLI)

Also Expected:

Alan Skewis (E20), Colin Naish (LLDC), Gerry Murphy (LLDC), s.40 (NLI), Martin Gaunt (E20), Brian Jokat (E20)

Apologies:

Agenda Items

1. Welcome and Apologies
2. Board Membership
3. Minutes of the meetings held on 18 November 2015.
4. E20 Director Update
5. E20 and LS185 Business Plan
6. Naming Rights
7. Capital Investments:
 - a. Stadium Dressing
 - b. Operator Led Improvements
8. DRET Academy School
9. Transformation Update
10. E20 Insurance
11. AOB
12. Date of the next meeting: *The next meeting will be held on 30 March 2016, at Newham Dockside, Room W406/07, 1000 Dockside Road, London, E16 2QU.*

Subject: E20 Director Update
Meeting date: 28.1.16
Agenda Item: 5
Report to: E20 Stadium LLP Board
Report of: Alan Skewis, Director of E20 Stadium LLP

1. SUMMARY

- 1.1. This report provides the E20 Stadium LLP Board (“the Board” or E20) with an update from the new Director and E20 team on various work streams. This report, and future reports from this Director will focus on the key risks and opportunities facing E20.

2. RECOMMENDATIONS

- 2.1. The Board is invited to **NOTE** the work stream updates.

3. DIRECTOR OVERVIEW

- 3.1. The priorities for E20, based on a risk analysis are:
- 3.1.1. Non-delivery of naming rights (Red Risk)
 - 3.1.2. Disputed Costs (Red)
 - 3.1.3. Financial position required further Member contributions (Red)
 - 3.1.4. Liability for retractable seating (Amber)
 - 3.1.5. Operator Performance (Amber)
 - 3.1.6. Managing stakeholders and tenants (Amber)
 - 3.1.7. E20 Resourcing and Staffing (Amber)
- 3.2. If all the risks come to fruition E20 will be in a very vulnerable financial position.
- 3.3. Balancing this, there has also been good progress on the transformation works, as well as progress on a number of matters with WHU, UKA and LS185. There also have been a number of opportunities being exploited including the sale of the 2012 athletics track and work on increasing the football capacity to 60,000.

4. NAMING RIGHTS

- 4.1. A separate paper deals with naming rights. It remains the highest risk for E20, with a **s.43** impact on the current business plan in 2016/17 if naming rights are not secured.

5. DISPUTED COSTS

- 5.1. There are a number of disputed costs with LS185 that are following the formal process for resolution as set out in the operator agreement. These represent a theoretical liability of up to c.£6m for E20. However the sum is likely to be less than that, assessed at c.£2m in the table in this paper.

- 5.2. The first stages of the disputed costs process have not resolved the issues. The next formal stage, mediation, is unlikely to resolve the central issue of whether LS185 should have undertaken due diligence on the plans, specification and documents they signed as part of the contract. Therefore the matters are likely to be determined by the Courts.
- 5.3. This outcome is damaging to the relationship with LS185, so an amiable agreement is being sought. A verbal update on the position at the time of the E20 board will be given as the latest resulted in LS185 considering its options and potentially making a proposal prior to mediation starting.

6. FINANCIAL POSITION

- 6.1. E20 has finite resources, and has to match very significant risk and liability with huge aspiration and pressure from its operator, WHU and shareholders. E20 faces a real chance of:
- 6.1.1. Narrowly failing to meet its business plan for 2015/16
 - 6.1.2. Significantly revising down the business plan projections for 2016/17 if naming rights are not secured in a timely fashion or disputed costs impact on the business plan adversely
 - 6.1.3. Having a stadium valuation below £40m
 - 6.1.4. Having to call on its members for further injections of funding
- 6.2. E20 has a long list of potential liabilities:
- 6.2.1. liability for disputed costs with its operator;
 - 6.2.2. a retractable seating system which the LLDC believe it passes to E20 without obligation to hit a 7 day turnaround;
 - 6.2.3. proposals for a stadium dressing;
 - 6.2.4. Changes to the seating and stadium structure if Cricket and / or MLB is accommodated;
 - 6.2.5. A number of high priority changes to the stadium that assist operations and provide a payback of £0.5m (gangways for concerts, barrier on Montfichet Road). A separate paper deals with this.
- 6.3. An assessment of the financial impact on these risks is set out in the table below.

	Best Case(£)	Likely Case(£)	Worst Case(£)	Comments
Original Sum	14.2	14.2	14.2	
<i>Allocated and Spent</i>	1.2	1.2	1.2	Seat changes, digital wrap design, £200k Director delegation for changes
<i>Still Available</i>	13	13	13	
<u>Items where E20 would have no discretion:</u>				
Disputed Costs	0	2	6	Unresolved with LS185.
<u>Probable Items:</u>				
Allocation to fill Naming Rights Income in 2016/17 Business Plan	0	s.43		Option for E20 to plug gap in business plan with funds if no naming rights deal
Retractable Seating	0	0.5	4(?)	Unknown liability. E20 view that should be LLDC transformation works cost
<u>Discretionary Items:</u>				
Operator Improvements (Gangways etc)	0.2	0.5	1	Items at January E20 Board and coming forward from LS185. High priority as meet NPV test and improve financial return for E20 and needed for concerts

Stadium Dressing	4	5	7	Item at January 2016 E20 Board with request to commit to £5m funds to deliver. Time critical
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s.43

TOTAL	s.43			
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- 6.4. These liabilities and demands sit in the context of no naming rights deal; WHU seeking to maximise its commercial advantage; and a challenging time period to get the stadium ready and complete for the Summer 2016 events.
- 6.5. E20 has some financial resources to meet some of these liabilities from c.£13m unallocated capital costs available from LLDC and NLI. Although stakeholders believe E20 has a bottomless pit of money, it does not have any other funds available.
- 6.6. Therefore when considering the capital investments under Agenda item 7, E20 should consider their strategy on spending discretionary funds at a time it has liabilities.
- 6.7. The most cautious route to take would be to hold the vast majority of the £13m funds back to meet future liabilities. This would give members the ability to meet its liabilities, make future injections of capital and protect the business plan.
- 6.8. Members could commit up to £5m for the dressing solution and up to £0.5m for operator driven changes. This would leave £6.5m to meet its liabilities. This requires confidence that disputed costs will be settled in E20s favour; the retractable seating solution will not create significant liabilities for E20 and WHU will pay over £1m for the stadium dressing.

7. RETRACTABLE SEATS

- 7.1. A separate transformation update paper deals with proposed arrangements for the retractable seats with SAPA. This should reduce risk and move LLDC to a position of having a more compliant seating system. E20 will inherit the retractable seat solution from LLDC at some point.
- 7.2. E20 has four main risks:
 - 7.2.1. It inherits a system that required further capital work that it incurs;
 - 7.2.2. The 7 day turnaround is not secured by the system limiting the number of events;
 - 7.2.3. LS185 claim a change to the contract as the 7 day turnaround is not achievable;
 - 7.2.4. The agreed costs for moving the seats are above the £300,000 in the E20 business plan
- 7.3. LLDC and NLI are discussing the allocation of responsibility for these risks. NLI have:
 - Agreed that the alternative delivery route that best mitigates the delivery risk of being ready for West Ham's 2016 and puts in place a more appropriate, longer term, seating transition contractor is helpful
 - **s.43**
 - Stated that an Agreed Exit would not absolve LLDC from their obligation to deliver a retractable seats solution, which is able to be turned around in 7 days, noting that the December 2013 E20 report is clear that 7 day turnaround required, and that was the basis on which E20 (including NLI) agreed to the reduced costs, saving LLDC £10m.

- Noted the intention to procure an appropriately skilled and experienced seating transition contractor that can deliver this solution in order that E20 is able to meet its obligation to the Stadium Operator to demonstrate a complete pitch to track to pitch seating transition.
- 7.4. Resolution is important for E20 as it represents a potentially significant financial, reputational and operational liability.
- 7.5. In assessing E20 liabilities, if E20 agreed to receive and take responsibility for the system in May 2016 it would be in a precarious and open ended financial liability. The ideal position for E20 is:
- If LLDC cannot provide a compliant system by May 2016, LLDC should continue to pay for the movement of the seats until a compliant system is delivered. This is likely to take at least one more year and cost a significant sum;
 - Once a compliant system has been delivered LS185 will take on responsibility, with an agreed methodology and operational system. At that point LLDC are no longer responsible for operation of the system

8. OPERATOR

Stadium Operations

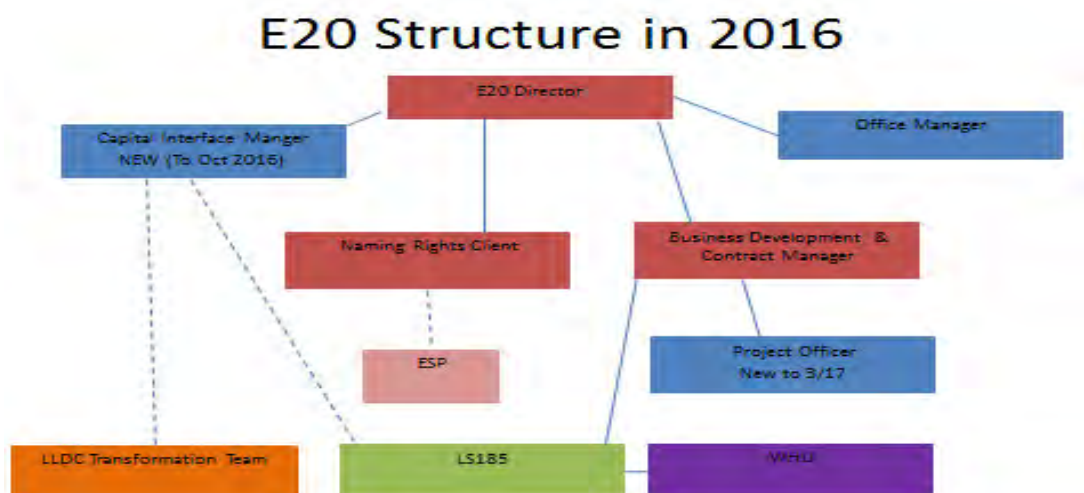
- 8.1. The operator, London Stadium 185 (LS185) successfully opened and operated the Stadium for athletics, the Rugby World Cup and the Rugby League International. They are a safe operator who has secured significant knowledge and ownership of events during 2015. It should be recognised that key LS185 individuals have performed excellently in difficult circumstances to deliver these events.
- 8.2. LS 185 have confirmed a concert for the 4 June 2016, and there are a series of athletics events in July before the first football match in August 2016.
- 8.3. Progress is encouraging, but LS185 are still mobilising and have far from a full event order book and a team that is evolving and still getting to grips with the stadium and E20 needs.
- 8.4. E20 are passing responsibility for all matters covered in the contract to the operator for 2016. This has helped them gain ownership of issues and development of the stadium's commercial performance.
- 8.5. LS185 are presenting on the business plan and approach at the Board. Key issues they are expected to highlight are:
- 8.5.1. Successes and challenges to date;
 - 8.5.2. The comparative merits of Major League Baseball versus concerts and other uses;
 - 8.5.3. The reasons why the venue is being perceived as expensive to hire, and how E20 can help address this perception (e.g. hospitality, "spend to save" ideas covered elsewhere on the agenda)
 - 8.5.4. Progress with ground share opportunities;
 - 8.5.5. The need to maximise events, and challenge WHU where they seek to over assert rights under the event protocol;
- 8.6. Members should avoid detailed discussions on disputed costs, as it is the subject to a formal legal dispute resolution process.

9. KEY STAKEHOLDERS

- 9.1. Stakeholder relations remains time consuming and complex. However, it is the lowest risk of the 6 headline areas covered in this paper. Key points of note are:
- 9.2. Event Stakeholders are now be managed by LS185, so these reports will not normally comment on their status and issues. LS185 are also taking on south QEOP commercial events from 1 April 2016, and an orderly transition is in place with LLDC event colleagues;
- 9.3. West Ham United - Where possible this relationship is being passed to LS185. However, E20 does have a direct relationship with WHU through the concession agreement. The club are moving into a period of high risk as they move from an old stadium to a new one. They are now in “delivery” mode, and are pressing their requirements for access, branding and rights. The club remain a significant challenge to work with.
- 9.4. UKA are planning for the Diamond League meeting in 2016.
- 9.5. London 2017 is beginning to ramp up their operations, and is likely to have an office in the stadium from June 2016. There are a number of governance issues within London 2017 and UKA that are being resolved and may have impacts for the relationship going forward.
- 9.6. Legatum School – E20 will have a direct lease and relationship with Legatum Academy. Progress is being made on construction and then delivery

10. E20 STAFF

- 10.1. The recruitment of the E20 Director, and move out of the 2015 events phase provides an opportunity to re-assess its resourcing needs in the short and medium term. E20 has a very busy 6 months prior to re-opening and early events. It then increasingly is dominated by its clienting role of LS185.
- 10.2. The incoming E20 Director has identified that for 2016 a revised structure should be implemented as set out in the diagram below. It is important to stress that the structure is short term, and should shrink once the stadium is open and running. The Director expects to be able to make further savings on staff by March 2017.



- 10.3. The changes are within the 2016/17 business plan budget presented last year. This is mainly achieved by not recruiting to the Assistant Director post vacated by Greg Smith in December 2015. This work is distributed between the Director, a short term E20 Capital Interface resource and handover of work to LS185. Implementation includes:

- Recruiting an E20 Transformation Interface Resource to August 2016 to manage E20 interests. It is proposed that the capital interface manager is sourced through LBNs team. An experienced technical adviser, s.40, has been identified and could provide 2 days per week from February to August 2016. E20 would be recharged a maximum of c.£15,000 for this time. This will be built into the business plan.
 - Recruiting an Assistant for Business Manager for 12 months. They will take on workload on dressing, WHU management, naming rights support and help drive money making opportunities such as Champions Place, 2012 Track sale, school interface etc
 - Replacing the outgoing Personal Assistant (s.40), who left to join the FA in early January.
- 10.4. The incoming Director has retained David Thomson for 1 day per week to 11 February to assist with handover, and complete certain tasks. After that David will not be retained, although the option exists to “call in” David for specific tasks if necessary.

Subject: E20 and LS185 Business Plans

Meeting date: 28 January 2016

Report to: E20 Stadium LLP Board

Report of: Martin Gaunt, Business Manager, E20 Stadium LLP

1. SUMMARY

1.1. This report sets the scene ahead of a presentation to the Board by LS185 CEO Linda Lennon on their business plan. Once approved, it will form the basis for E20's own plan. The Board is scheduled to consider the final E20 business plan on 30 March, in time to be implemented in the new financial year.

2. RECOMMENDATIONS

2.1. The Board is invited to **NOTE** the ongoing work on the LS185 and E20 business plans, including the presentation by LS185's CEO.

2.2. The Board is invited to **NOTE** the impact that the E20 business plan may have on the valuation of the stadium.

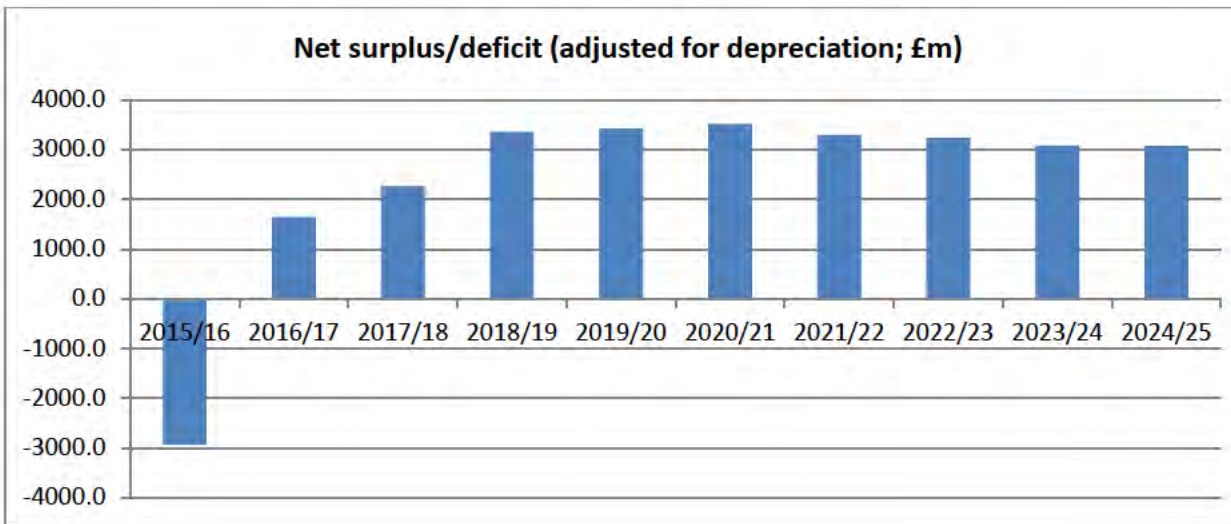
3. EXISTING E20 BUSINESS PLAN

3.1. The E20 Board approved the first business plan for the LLP on 2 June 2015. This set out the forecast income and expenditure for the ten year period from 2015-16 to 2024-25. The business plan represented the culmination of detailed work by PwC, E20's members, and the new E20 executive team. It encompassed a full "bottom-up" review of all the various areas of the stadium business. Upon approving the business plan, the E20 Board noted that it represented an ambitious projection that will be challenging to achieve. It was designed to provide a stretching plan that E20 should aim to deliver, and thereby provide acceptable returns to its members. The E20 financial projection over ten years, as set out in the existing business plan, is reproduced in the table overleaf.

Existing Business Plan: Summary of E20 income and expenditure projections over 10 year period

E20 LLP	Year 1			"Steady state"		
	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
	Full year					
E20 net position						
Net naming rights income/(deficit)	(345)	3,459	4,570	4,570	4,570	4,570
Net to/(from) Vinci after fixed costs	(3,939)	(432)	67	1,120	1,224	1,293
Net other operating income/(costs)	3,193	1,262	51	46	41	32
Overhead costs	(1,846)	(2,648)	(2,427)	(2,332)	(2,309)	(2,284)
E20 Net surplus/(deficit) before depreciation	(2,937)	1,641	2,260	3,404	3,527	3,611
Depreciation (lifecycle investment)				(50)	(100)	(100)
E20 Net surplus/(deficit) adjusted for depreciation	(2,937)	1,641	2,260	3,354	3,427	3,511

S.43



4. NEW E20 BUSINESS PLAN

- 4.1. The next iteration of E20's business plan, to be adopted in April 2016, will build on this earlier work but nevertheless encompass a full "bottom-up" review of income and expenditure. It will cover the ten year period from 2016-17 to 2025-26.
- 4.2. The E20 Finance & Audit Committee considered an introductory paper on E20's new business plan in November 2015. It noted potential changes likely to be reflected in the new business plan compared to the existing version. It also approved the timetable for preparing the E20 business plan, including inviting LS185 to present their own plan to the E20 Board. The timetable is as follows:

Milestone	Date
LS185 present their business plan to the E20 Board	28 January 2016
Draft E20 business plan prepared and circulated to LLDC and Newham officers for consideration and challenge	February 2016
Consideration of E20 business plan by the E20 Finance and Audit Committee	7 March 2016
Further consideration and expected approval of E20 business plan by the E20 Board	30 March 2016
Adoption of business plan	1 April 2016

- 4.3. Once approved, the E20 business plan will also be assessed by GL Hearn, who have again been appointed to undertake a stadium valuation, to be reflected in LLDC's and NLI's statutory accounts. GL Hearn's previous stadium valuation, based on the business plan agreed last year, was £40m. As reported in detail to the Finance & Audit Committee in November, E20's current expectation is that the new business plan is likely to indicate a reduced surplus generated by the stadium in steady state. This is primarily a result of potential increased overheads (business rates and insurance). E20 officers are seeking to minimise overheads, and maximise stadium revenues – whether via the operator, naming rights, or other means. Nevertheless, as things stand there is a major risk that the new business plan will not support a valuation of £40m or more.
- 4.4. E20 recognises the implications of this for its members, and is working closely with them, and GL Hearn, to reach the most acceptable outcome.

5. LS185 BUSINESS PLAN

- 5.1. At the time of preparing E20's existing business plan in 2015, LS185 were mobilising and were unable to provide a full contribution to its development. They relied mainly on the figures included in their bid document. Ideally, LS185 should provide its own business plan for consideration and challenge by E20, and it should then form the starting point for E20's own plan. This is the approach we have adopted this time around.
- 5.2. LS185 were informed in November 2015 of this approach, and a request was made for their CEO to present their business plan to the E20 Board on 28

January.¹ Until recently LS185 demonstrated limited progress on their business plan, with no draft plan provided at review points in December and early January.

- 5.3. LS185 have since demonstrated much improved progress on their business plan. A draft plan has been discussed by their parent company board, but remains a draft and highly confidential.
- 5.4. A draft version is being sent to E20 Board Members on Monday by way of background for the Board. The E20 Director agreed for this to come to the Board later than other papers to allow some comments and honing of the draft plan following a meeting with E20 on the 21st January.
- 5.5. The E20 comments made to date have been high level, and full assessment and challenge by E20s team will take place in February and March. LS185 would welcome Board member challenge and questions during this period to ensure the plan is fully understood and endorsed.
- 5.6. Half an hour has been allowed for Linda Lennon (CEO) and Graham Gilmore (COO) to take the Board through a presentation on the key aspects for discussion on their business plan. Key issues for discussion are stadium events, LS185's latest forecasts of the net commercial revenues payable to E20 (and how these compare to their bid figures), and LS185's view on the most profitable ways E20 could invest its remaining capital funding.
- 5.7. LS185 will incorporate the feedback provided by the Board, together with ongoing review and challenge by E20 officers, in a final LS185 business plan. This will be presented to the E20 Finance and Audit Committee (and other Board Members on request) for approval on 7 March.
- 5.8. Once approved, it will form the basis for E20's own business plan, for which work is progressing in parallel.

Report originator(s): Martin Gaunt
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¹ To note that, contractually, the LS185 business plan is due in November each year. E20 officers did not enforce this requirement on this occasion, due to the need for LS185 to focus on the operation of the stadium for the Rugby World Cup. Instead, E20 requested the LS185 business plan in time for the 28 January Board.

Subject: Naming Rights Update

Meeting date: 28.1.16

Agenda Item:

Report to: E20 Stadium LLP Board

Report of: Alan Skewis, Director of E20 Stadium LLP and Brian Jokat, Naming Rights Client

1. SUMMARY

This report provides the E20 Stadium LLP Board with an update on naming rights.

2. RECOMMENDATIONS

2.1. s.43

3. CURRENT POSITION ON NAMING RIGHTS

3.1. ESP are currently at the following place as far as materials sent and responses:

- 1 Advanced Discussion
- 3 Engaged discussions
- 22 Sales Activity in progress
- 68 Live Teasers
- 42 dormant teasers

3.2. The Mahindra Group is covered in more detail below.

3.3. s.43

3.4. s.43

4. MAHINDRA

4.1. s.43

4.2. s.43

4.3. s.43

5. IMPACT OF NOT AGREEING A NAMING RIGHTS DEAL BY APRIL 2016

5.1. s.43

s.43

5.2. s.43

6. OPTIONS GOING FORWARD

6.1. s.43

6.1.1. s.43

6.1.2. s.43

6.1.3. s.43

7. NAMING RIGHTS TERM AND VALUE OF THE STADIUM

7.1. s.43

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Subject: Stadium Dressing s.43
Meeting date: 28 January 2016
Report to: E20 Stadium LLP Board
Report of: Alan Skewis, Director, E20 Stadium LLP

1. SUMMARY

1.1. In line with the Board's decision in November, E20 has progressed work on an alternative solution for the stadium wrap, featuring fabric banners and big screen(s) facing the main stadium approach. This paper provides an updated analysis of the options outlined to the Board shortly before Christmas, and the outcomes of initial feasibility work on the fabric banners and big screen(s) proposal. Approval is now sought to commence full design work on this solution, though the Board should note that significant uncertainties remain.

2. RECOMMENDATIONS

2.1. The Board is invited to:

- 2.1.1. **ALLOCATE** up to s.43 from E20's remaining capital funding towards a fabric wrap and big screen(s) solution for the exterior of the stadium.
- 2.1.2. **COMMIT** up to s.43 from the s.43 allocation towards the design costs for the wrap and screens, including a Planning Application. This cost could not be recovered, although E20 will insert appropriate break points in all agreements, including with Populous.
- 2.1.3. **NOTE** that there remain significant risks to this approach. Cost estimates are not yet robust, the screens element of the design may not receive Planning Permission, and the acceptability of the design to a future naming rights partner is unknown. In addition, the target date for completion by end July 2016 is extremely challenging and the full proposal is unlikely to be achieved by then.
- 2.1.4. **NOTE** that provided the solution can be delivered within the allocated funding, it meets NLI's 10-year positive Net Present Value test, and it gains Planning Permission, E20 will proceed without further decision by the Board.
- 2.1.5. **DELEGATE** representatives of LLDC and NLI to represent member interests on the stadium dressing and closing out of the s.43 issues on behalf of the Board.

3. PROJECT STATUS AND OPTIONS

3.1. At the last Board meeting, the decision was taken to not proceed with the digital wrap at this stage, and instead develop proposals for an alternative dressing solution including a fabric wrap and big screen(s). The digital wrap was assessed as

unaffordable within available funding, and there were concerns around its effectiveness in daylight. The Board nevertheless decided to keep alive the option of the digital wrap, in case progress on Naming Rights supported the case for investment. This has not yet been demonstrated, and the Board should note that the tenders received for the digital wrap expire on 18 April 2016.

- 3.2. An options analysis was circulated to the E20 Board in December, and an updated version is shown below:



S.43

- 3.3. There are certain advantages to not proceeding with any dressing solution for the time being:

- 3.3.1. Uncertainty around naming rights – at present we do not know who the partner will be, what type of wrap they would favour, their willingness to be associated with West Ham branding and colours, and the impact this has on their level of sponsorship (and therefore the impact on the NPV of the project);
- 3.3.2. The extent of the disputed costs liability for E20 remains unknown, so available funding and therefore affordability is difficult to assess;
- 3.3.3. Delivery of a permanent dressing solution by the target date of end July 2016 is assessed as doubtful, even if design work is commenced immediately;
- 3.3.4. Dressing the stadium would make any future investment in an additional hospitality area in the East Stand more difficult, though there is as yet no firm case for this proposal.

3.4. s.43

3.5. The fabric wrap without screens would provide very limited flexibility in the appearance of the stadium. Therefore, in line with the previous steer from the Board, E20 recommends pursuing the fabric wrap and screens option.

4. FABRIC WRAP AND SCREENS

4.1. Following approval from its members, E20 has appointed Populous to undertake feasibility work on the fabric wrap and screens option. A proposal had previously been developed by West Ham, and their consultants, Icon. E20 has led the design work (£37k to date). However, West Ham have been included in the work as part of a steering group to achieve buy-in and ownership that reflects a higher financial stake in the solution.

4.2. Other stakeholders (notably LS185, UKA, and E20's naming rights advisers) are being consulted throughout. E20 and its stakeholders have agreed a series of objectives for the project, to inform decision making:

4.2.1. Complete and enhance the look of the stadium with a high quality, designed solution;

4.2.2. Provide flexible branding for the stadium;

4.2.3. Provide a digital screen(s) facing the main approach, capable of displaying video content which is easily visible in day and night conditions;

4.2.4. Provide a fabric banner wrap around all or most of the remaining exterior (excluding West Stand hospitality area). Fabric banners must be able to display branding (notably the naming rights partner), contribute to the s.43 of the stadium on West Ham Utd and on other events days, and must be capable of easy and cost effective mounting / demounting;

4.2.5. Solution must be durable and require limited maintenance, preferably with a design life of at least ten years. It must be capable of withstanding very strong wind conditions;

4.2.6. Capital cost of complete solution should not exceed s.43 and preferably be significantly less. Maintenance costs must be kept to a minimum;

4.2.7. Solution must be such that we can secure Planning permission;

4.2.8. Must be installed and commissioned by the end of July 2016 at the latest¹;

4.2.9. Any adverse impacts of the design on other aspects of the stadium (e.g. structure, ventilation) must be mitigated and addressed as part of the solution.

4.3. The initial feasibility work has concluded that it is feasible. But there are complexities relating to designing the solution. Therefore the steel strengthening and other costs are likely to be above those estimated by WHU.

5. VALUE AND USE FOR NAMING RIGHTS

¹ To note that it is now assessed as doubtful that this objective can be achieved.

5.1. To meet the NPV test the fabric/screens solution relies heavily on the added value to naming rights. The solution provides valuable space for the naming rights partner, but the concept and design parameters will have been delivered without detailed input from a specific naming rights partner.

5.2. E20 has sought feedback from ESP Global on the implications of this design for naming rights. They have advised that:

5.2.1. “The design does give more prominence to the football club than the norm for a stadium which isn’t wholly owned by the club and/or has multiple events/stakeholders. A sophisticated partner (e.g. s.43) may well view the proposed approach as being an inappropriate base canvas for the integration of a corporate colourway which is at the heart of their brand positioning. Conversely certain brands may not want to necessarily dial up the relationship with one single entity (where for example in football perceived club allegiances can impact consumer buy-in) and therefore there is some risk that the solution would limit the range of potential naming rights partners.

5.2.2. However, the newly proposed shard design is likely to be compatible with the expectations of Tech Mahindra – that said allowing them moving forward to have a say in broader design decisions may well be important.

5.2.3. The use of s.43 of the screen on match days, and integration of a large naming rights sign on that façade on non-match days, is an important element of a naming rights package.

5.2.4. s.43

5.2.5. The location of the naming rights on the middle panel of the exterior of the 13 concession units is acceptable. It would be preferable, but not critical, for the WHU panels to be white rather than claret (attached image 1). A turnstile solution which has “The Mahindra Stadium Home of West Ham United” is an acceptable compromise if on all turnstiles. Note that the operator may want to cover the “Home of West Ham United” part on non West Ham event days.”

5.3. E20 have also begun the engagement with the Planning Authority in order to assess the likelihood of gaining Planning Permission for the proposal. Based on the feedback to date, E20 expects to be able to reach a fabric wrap design acceptable to the planners. The big screen(s) are likely to be contentious, given that the brightness will far exceed the levels permitted for the digital wrap scheme. If planning permission cannot be secured for the screens, or if the extent of planning restrictions make them commercially unviable, E20 will need to review options. A fall back proposal could be a fully fabric wrap, although as noted above, this would provide very limited flexibility.

5.4. E20 are due to brief the Planning Decisions Committee on our emerging proposals on 26 January – a verbal update in light of feedback received will be given at the Board.

6. FUNDING OF STADIUM DRESSING

6.1. As well as the total capital cost, an advantage of the fabric wrap and screens solution is that it has secured a more appropriate funding contribution from WHU. The table shows the principle of how funds would be allocated, and indicative, rounded figures to show the required funding from each party. The total capital costs are in line with a

cost of c.£6m. it should be noted this is above WHUs expectations, who believe the solution is deliverable for under £5m.

S.43

6.2.

S.43

7. **s.43**

7.1. **s.43**

7.2. **s.43**

7.3. **s.43**

Appendix: Images of Stadium Dressing

s.43 List

Report originator(s): Alan Skewis, Martin Gaunt

Email: alanskewis@londonlegacy.co.uk; martingaunt@londonlegacy.co.uk

S.43

S.43

s.43

Illustrative Elevations



NORTH ELEVATION



EAST ELEVATION



SOUTH ELEVATION



WEST ELEVATION

WHU Shard Option from North

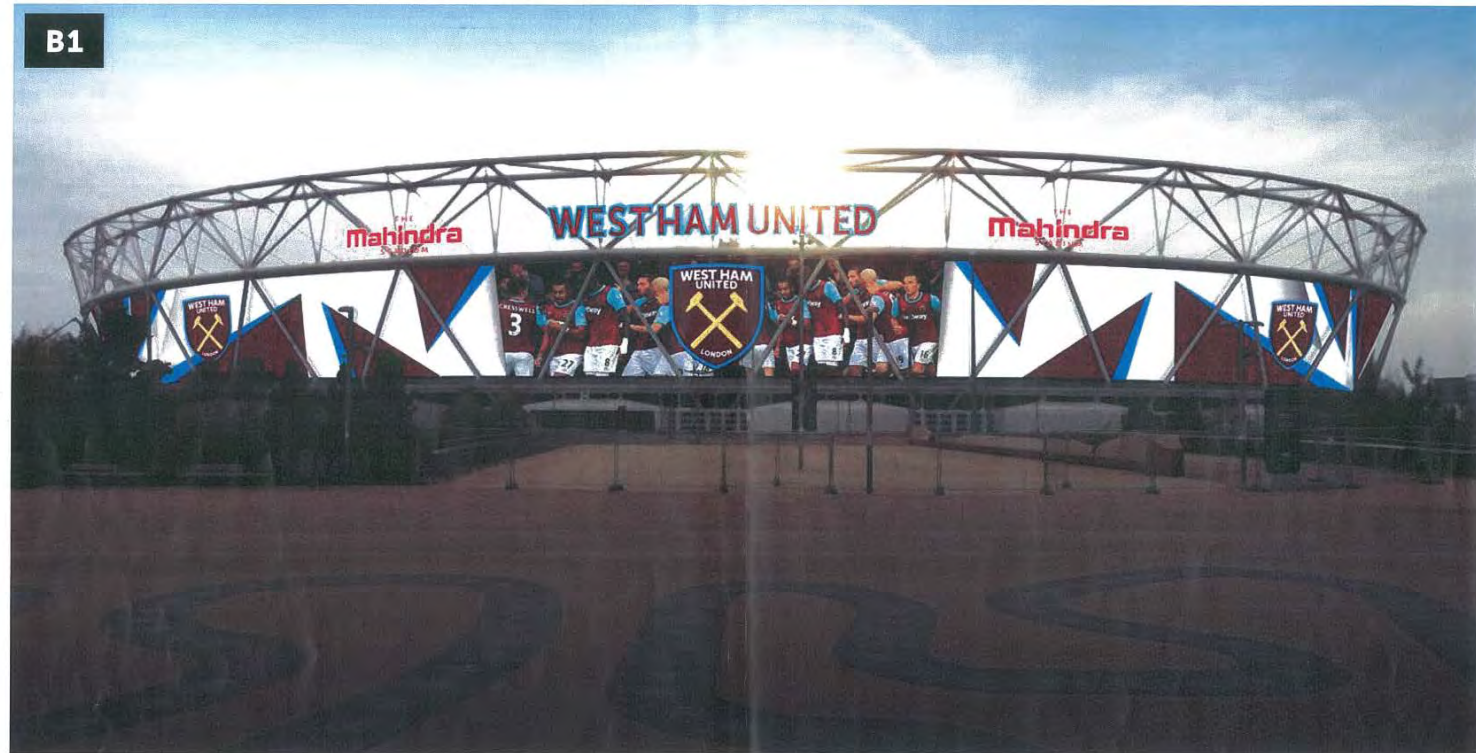


East Stand - WHU Match Day

WEST HAM UNITED

STADIUM BRANDING PROPOSALS

STADIUM WRAP



EAST VIEW FROM STATFORD WALK
Mahindra logo either side of marquee.

East Stand Screen



WHU Design for Concession Unit (not agreed by E20)



Item: xx

Subject: Operator Led Improvements to Stadium and Surrounding Infrastructure

Meeting date: 28 January 2016

Report to: E20 Stadium LLP Board

Report of: Alan Skewis, E20 Director

1. SUMMARY

1.1. This report recommends a number of relatively low cost, high impact capital spends that will improve the LS185 business plan.

2. RECOMMENDATIONS

- 2.1. **AGREE** a sum of up to £500,000 to be applied to the stadium improvements agreed by LS185 and E20;
- 2.2. **APPROVE** up to £200,000 for the gangway works from the £500,000 sum
- 2.3. **APPROVE** up to £100,000 for the Montfichet Road fence line works from the £500,000 sum
- 2.4. **APPROVE** up to £30,000 to ensure flexible **s.43** features from the £500,000 sum
- 2.5. **DELEGATE** to an LLDC Board member and NLI Director to approve individual improvements up to an aggregate value of £500,000, subject to them being additional to the LLDC transformation works and able to meet the NPV test of a return within 10 years.

3. CONTEXT

- 3.1. E20 have tasked LS185 with identifying improvements to the stadium and surrounding domain that would generate additional profits. A list of improvements has been submitted. These are improvements that fall outside the scope of the transformation works.
- 3.2. These are being assessed individually, but it is very likely that a spend of up to £500,000 of E20 capital funds would easily meet the NPV test required by NLI for such investment from the £14.2m.
- 3.3. It is practical to do these changes now, before the stadium opens. The earlier the changes are made the earlier the savings will happen too.
- 3.4. A number of the items have been assessed and can be approved now. Others required further work.

4. FENCE LINE ON MONTFICHET ROAD

- 4.1. A temporary fence line has to be created on event days on Montfichet Road between the corner of Westfield Avenue and the station. This costs c.£5k per event. Subject to planning and other approvals a permanent fence or simple slot in fences could be provided. This would cost c.£100,000 and mean that on event days £5,000 would be saved by LS185.
- 4.2. As the stadium has a minimum of 30 events per annum the investment would pay back in 1 year.

5. INVESTMENT IN IMPROVING THE GANGWAYS FOR CONCERTS

- 5.1. E20 have agreed that proposed changes to allow greater flexibility in 9 gangways on the East Stand will increase capacity by 8,000 for concerts. The capital costs are being finalised but expected to be a maximum of £200,000. The NPV return on the s.43 increased capacity is achieved as:
 - 5.1.1. The increased capacity improves attractiveness of the venue for concerts. It creates the opportunity to have close to s.43 people on the field of play, maximising the unique selling point to concert promoters.
 - 5.1.2. Quantifying a financial impact on the unique field of play access is difficult, and not included in the NPV calculation below. However, promoters will be able to sell s.43 additional tickets. At s.43 per ticket this is s.43 per concert income. This should translate into an increased hire fee / profit share from these events from LS185 – an illustrative share of s.43 of this would be s.43 to LS185.
 - 5.1.3. LS185 benefit from increased food and beverage sales. For example, s.43 customers x s.43 is an increase of s.43 per concert for LS185
 - 5.1.4. This gives an increase of s.43 per concert income. A payback would be achieved by the s.43 concert, which would meet the NPV test of a return within s.43 years.

6. INVESTMENT TO RETAIN FLEXIBLE BRANDING OF STADIUM

- 6.1. s.43
- 6.2. It has been agreed with WHU that they will maximise removability of items, so that LS185 can “clean” the stadium more easily. The principle agreed is that for the initial s.43 being put in place for August 2016 where there is a significant difference to achieve removability E20 will fund the difference. The exact items are being finalised but are likely to include:
 - 6.2.1. Removable WHU crests in some of the locations in the players tunnel, corridors etc
 - 6.2.2. Removing the shirts and Cup memorabilia in the concourse areas
- 6.3. This is expected to be contained within a sum of s.43. This will either make the venue more competitive (as the event owner will not need to pay this sum), or be a sum reclaimed in the event fee. The NPV for such a change is met as it is a small sum but one that will make the venue more attractive for non WHU events.

7. MID TIER DIGITAL BOARD

- 7.1. During the negotiations on s.43 with WHU and LS185 the inclusion of a c.100m digital LED on the mid-tier of the West Stand has been proposed. This would provide a location for WHU livery on match days, increase flexibility and offer an advertising opportunity for LS185 to exploit as it is not included in the naming rights inventory.
- 7.2. The feasibility of this solution and costs are being investigated by LS185 as part of the pitch side LED procurement. Conclusions will be drawn by mid-February.
- 7.3. If the digital LED is not feasible the mid-tier will have static boards with a need to change the livery between WHU and other event days.

8. FAN EXPERIENCE/MARKETING/SPONSORSHIP (INCLUDING DIGITAL)

- 8.1. LS185 have made outline proposals to improve this area of operations, These are:
 - 8.1.1. "Extending kiosks to improve pouring experience for fans – 12 kiosks to go onto podium outside
 - 8.1.2. s.43
 - 8.1.3. s.43
 - 8.1.4. Additional WIFI antennas (on Stadium Island and bridges) to create a continuity between the WIFI HD antennas to be installed in the stadium by LS185, and the WIFI installed by LLDC in the Park
 - 8.1.5. intelligent IT infrastructure management tool (such as Commscope), providing insight into the status of the Stadium infrastructure allowing to track the physical location of devices and to troubleshoot and resolve infrastructure issues faster and remotely"
- 8.2. No E20 assessment of capital costs or NPV returns this have been agreed to date. They could, however, have merit.

9. DRAUGHT BEER IN THE HOSPITALITY AND CONCESSIONS AREAS

- 9.1. The hospitality and some General Admission areas currently do not have capacity for significant amounts of draught beer. It has been argued that this is not a specification gap, while WHU contend it is.
- 9.2. Advice from E20s legal advisers supports that if it would be expected in a comparable club then WHU are likely to win a court case. Further research has suggested that other comparable venue hospitality areas have a draught beer offer, but the position on general admission is unclear.
- 9.3. LS185 are not convinced that introduction of draught will increase revenue in the hospitality areas, but are more convinced that the general admission concession areas would benefit from this investment.
- 9.4. No E20 assessment of capital costs or NPV returns this have been agreed to date, but it is possible that small capital investment by E20 will be justified and met the NPV test. It may also be the case that in certain areas there is a shortfall in the transformation specification.

Report originator(s): Alan Skewis
Email: alan.skewis@londonlegacy.co.uk



Subject: DRET Academy
Meeting date: 28 January 2016
Report to: E20 Stadium LLP Board
Report of: Alan Skewis, Director

1. SUMMARY

1.1. This report asks for delegation to enter into the lease for the secondary school to be located on the stadium island site.

2. RECOMMENDATIONS

2.1. **CONFIRM** delegation is given to an NLI Director and an LLDC Member of the E20 Board to enter into the lease subject to:

- 2.1.1. the lease reflecting the heads of terms approved by the Board;
- 2.1.2. all reasonable operational requirements of LS185 being taken into account;
- 2.1.3. LLDC and LBN confirming in writing payment of £5m to E20, including the triggers for payments being made
- 2.1.4. Confidence that the planning approval will relieve LLDC and LBN of the identified need to build a school on the Rick Roberts Way site as currently set out in the Legacy Masterplan

3. UPDATE

3.1. In June 2014, the E20 Board agreed a number of recommendations relating to the DRET Secondary School being located on the stadium site in return for a capital payment of at least £5m at 2032 prices. The minutes record that the Board:

- 3.1.1. **“AGREED** the principle of a secondary school being developed by the David Ross Education Trust (DRET) on the Stadium Island Site;
- 3.1.2. **AGREED** that the right to veto any design must be incorporated within the development agreement;
- 3.1.3. **AGREED** that officers should present an update to the board addressing the issues of wider community use, including summer science schools, in October; *(Note: the community use is set out in the heads of terms and the school have confirmed a positive approach to summer schools and other extra curricular activity)*
- 3.1.4. **DELEGATED** authority to a Director of NLI and the Chief Executive of LLDC to negotiate and enter into the appropriate legal documents (including Heads of Terms and subsequently a lease) subject to the conditions set out in the report; and
- 3.1.5. **NOTED** that equivalent land value is expected to be generated from receipts from Rick Roberts Way developments.”

3.2. In line with the Minutes the heads of terms were signed in December 2014. A copy is attached as Appendix 1.

3.3. These have formed the basis for work to deliver the scheme. After a longer than anticipated design and funding process the project is at the stage where it is ready to turn the heads of terms into a full lease.

4. FUTURE DEADLINES

4.1. Key upcoming milestones which will involve E20 are:

4.1.1. School Submitting planning applications February 5th 2016. The secondary school application is likely to be determined at the same planning committee as the Stadium Dressing in May 2016;

4.1.2. Primary school starts on site (including work to Sweetwater Loop Road) May 2016. Secondary school starts on site in July 16 (provisional dates at this stage);

4.1.3. Primary school completion date August 2017. Secondary school completion date May 2018 (provisional dates at this stage);

4.1.4. Open in September 2018 but a Year 7 intake will be accommodated in the primary school building in September 2017;

4.1.5. Full school cohort by 2022/23

4.2. The design is broadly in line with the planning parameters, heads of terms and operational arrangements for the site.

5. IMPACT ON E20 BUSINESS PLAN

5.1. The school should have a positive impact on the E20 business plan:

- As reported previously E20 will receive a £5m capital payment from LLDC and LBN.
- LLDC and LBN will be recoup this by being freed from the obligation to provide a school on the Rick Roberts Way site
- £70,000 payment for allowing the school to use the community track area during school hours;
- Up to £100,000 Estate charge paid by the school to E20

5.2. These remain as set out in the heads of terms.

5.3. The risk for E20 is that LS185 will be disrupted by the construction and then operation of the school on the site.

6. LS185

6.1. The most important stakeholder for E20 is LS185. They must be satisfied that the school construction and subsequent operation is compatible with their contract to operate the stadium. To ensure this is the case:

- LS185 were briefed and provided information on the school during the competitive dialogue process
- The contract includes reference to the school, and LS185s obligations
- LS185 are part of the project steering group, enjoying full support from E20 on key operational matters.

6.2. E20 is adopting the approach that LS185 are their operating agent. Unless there is a specific reason E20 (rather than LS185) need to comment or sign an agreement,

LS185 will have E20s full confidence and support in addressing any issues and approving processes and plans with the school.

6.3. The key concerns of LS185 are:

- Access on and around event days. The concerns apply to the secondary school as well as the Sweetwater development on the western side of the stadium;
- Maximising the use of the school facilities on event days, in line with rights secured in the heads of terms;
- Practicalities of managing use of the community track space;
- LS185 retaining control of the road to the east of the school, so they retain operational control of the site;
- Managing parking on the site, as LS185 have a number of users who would like to the community track car park. LS185 need to manage use within very restrictive planning parameters, and the potential for abuse by school, WHU ticket office and shop and other site users.

7. STAKEHOLDERS

7.1. The school will need to work with a number of stakeholders on making the stadium island a success. The norm is for a school to create vibrancy in a local area, but there are inevitable conflicts and tensions that arise. The heads of terms ensure that the school does not have power to constrain other uses on the site, most critically including access to the community track and stadium via the road passing in front of the school.

7.2. UK Athletics support the proposals, as do the local athletics network.

7.3. West Ham United has repeatedly expressed concerns over the location of a school on the site. The issue raised have been addressed or in some cases WHU have been reminded that they are a concession holder on the site, and E20 are able to exploit opportunities to develop the site. E20 should note the club's views, but not let them influence the school development

Report originator(s): Alan Skewis

Email: alanskewis@londonlegacy.co.uk; alan.skewis@newham.gov.uk

Appendices:

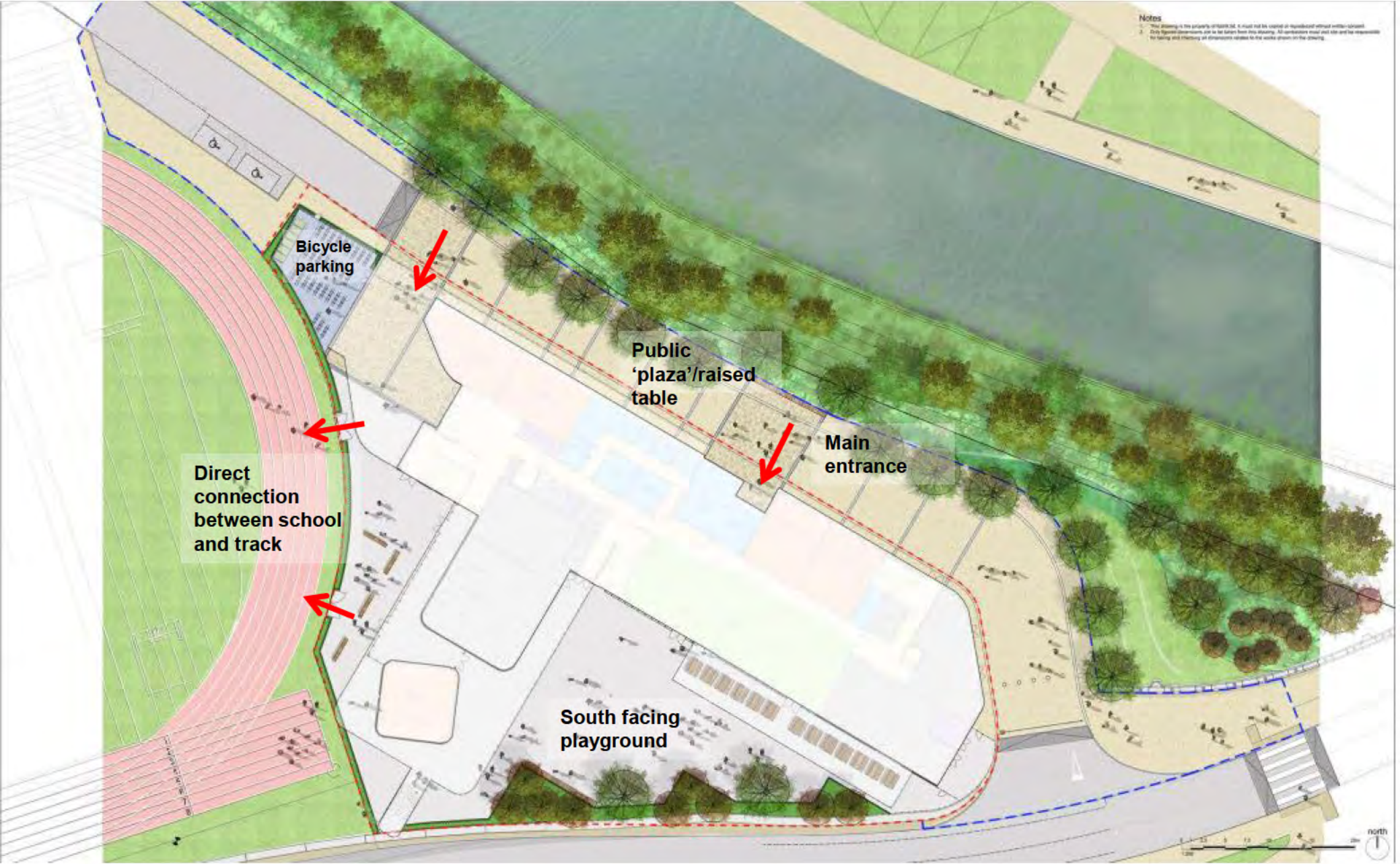
- Heads of Terms
- Site Images



DRET London Free School Queen Elizabeth Olympic Park

Presentation to the Youth Panel
20th January 2016

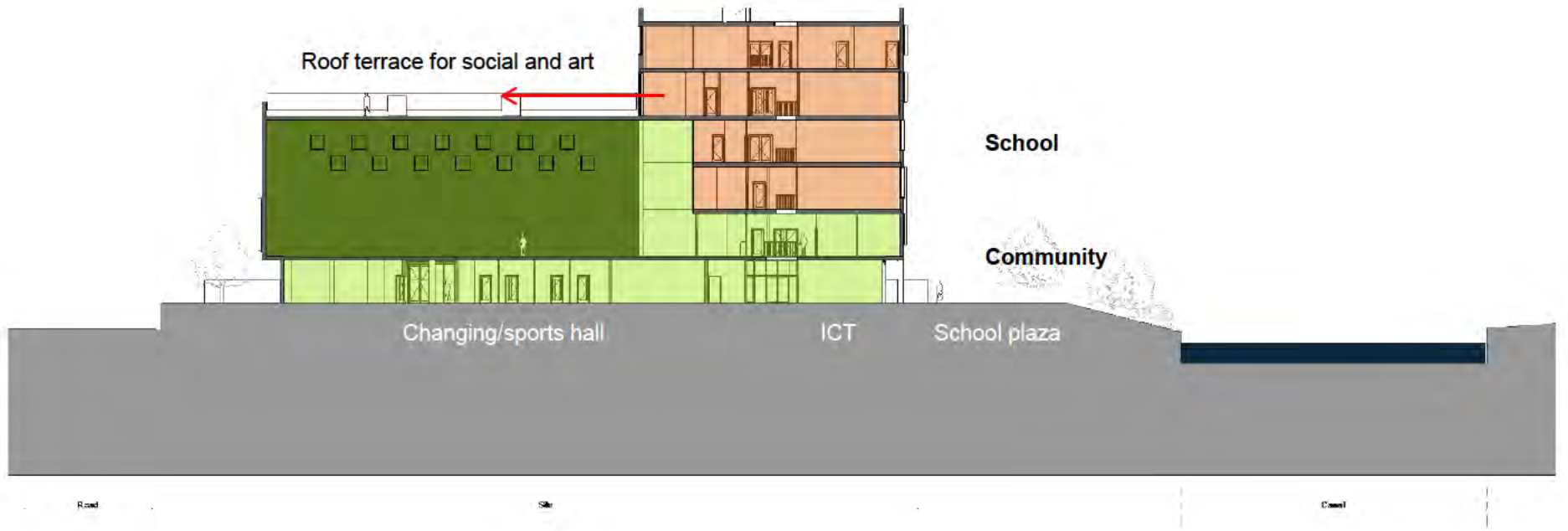
Notes
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Site plan



A civic presence



Section through sports hall



View from underpass

HEADS OF TERMS: LEASEHOLD

LONG LEASE AT PEPPERCORN WITHOUT PREMIUM

(Stadium Island Site – Queen Elizabeth Olympic Park)
Without Prejudice and Subject to Contract

Note: Although these heads of terms are not intended to be legally binding, once agreed, they will be distributed within the Department for Education and will inform the production of a number of documents between the school and the Secretary of State. It will therefore not be possible to agree variations to the commercial terms set out below once the heads of terms are agreed between the parties. In addition, a number of the provisions relate to policy requirements of the Department. Any derogations from the heads of terms would be considered on a case by case basis and must be agreed by both parties, acting reasonably, and the terms of other transactions would not necessarily be relevant.

1. **Landlord** E20 Stadium LLP
Level 10
1 Stratford Place
Montfichet Road
London E20 1EJ
2. **Landlord's Solicitor** Transport for London (c/o s.40)
6th Floor, Windsor House
42-50 Victoria Street
London SW1H 0TL
3. **Superior Landlord** London Legacy Development Corporation
4. **Superior Lease** A lease of the Stadium Island Site made between the Superior Landlord and the Landlord dated 20 December 2013.
5. **Superior Landlord's Solicitor** Transport for London (c/o s.40)
6th Floor, Windsor House
42-50 Victoria Street
London SW1H 0TL
6. **Tenant** David Ross Education Trust
2 Hill Court
Turnpike Close
Swingbridge Road
Grantham
NG31 7XY
Company number: 06182612

7. **Tenant's Agent** DTZ
 St Paul's House
 23 Park Square South
 Leeds
 LS1 2ND
 s.40 @dtz.com
 s.40
 s.40
8. **Tenant's Solicitor** Bond Dickinson LLP of Camden House, Prince's Wharf, Teesdale,
 Stockton on Tees TS17 6QY (marked for the attention of s.40
 @bonddickinson.com.
9. **Property** Land known as part of Stadium Island Site to the south east of the
 Olympic Stadium, Queen Elizabeth Olympic Park, London.
- A plan is attached showing the property as edged in red for
 illustrative purposes.
- 6b Development** The delivery of an all-through school consisting of a 6FE secondary
 school plus sixth form on Stadium Island at the Property and a 2FE
 primary school (designed with in-built flexibility so that 2FE can be
 amended to 3FE as required) at the Sweetwater site on Queen
 Elizabeth Olympic Park, plus a sports pitch at the Queen Elizabeth
 Olympic Park
10. **Form of Lease** EFA Model Free School Lease, save as varied by these Heads of
 Terms.
- Supplied Separately.
11. **Assignments, Underleases and Sharing Possession** 11.1 the Tenant may assign the lease with Landlord's consent,
 not to be unreasonably withheld or delayed. Where an
 application to assign is made within ten years of the term
 commencement date of the lease the Landlord can refuse
 such consent if in its reasonable opinion the assignee is not:
- (a) An education provider that has operated at
 least one other secondary school that was
 judged to be "outstanding" (or the equivalent
 top level rating available upon inspection) by
 OFSTED or an equivalent independent body;
 and
 - (b) an education provider with a fully inclusive

admissions policy which is operated to provide educational services arising from the Queen Elizabeth Olympic Park's residential neighbourhoods, subject to places being available

For the avoidance of doubt, the Landlord can unilaterally waive any of the above grounds if it chooses to do so.

Assignment of part is not permitted.

11.2 Underletting

the Tenant can underlet the whole or part of the Property with Landlord's consent not to be unreasonably withheld or delayed. In relation to an application for an underletting of the whole or substantially the whole of the Property (being 80% or more of the net internal area of the Property) made within ten years of the term commencement date of the lease the Landlord can refuse such consent if in its reasonable opinion the criteria set out in para. 11.1 above are not all met in respect of the proposed undertenant.

11.3 Sharing

the Tenant can share occupation of the Property with any body or organisation providing community, fundraising and recreational services or facilities which are ancillary to the school's educational services purpose within the permitted use provided that no relationship of landlord and tenant is created. For the avoidance of doubt the Tenant cannot share occupation of the Property with another Academy or proposed proprietor of an Academy within 7 years of the date of completion of the funding agreement that is to be entered into between the Secretary of State for Education and the Tenant.

12. Tenant's Rights

12.1 A right of access over the Southern Loop Road or via such other route as the Landlord shall advise from time to time.

12.2 This right can be suspended upon reasonable prior notice by the Landlord (or immediately in case of emergency) for security purposes, or for other purposes connected to events held on the Queen Elizabeth Olympic Park. This right will be subject to hostile vehicle mitigation retractable barriers under the control of the Landlord.

- 12.3 The Landlord shall ensure that both pedestrian and emergency vehicular access to the Property from the adopted highway shall be available at all times.
- 12.4 A right to connect to and use conduits on Landlord's adjoining land with the Landlord's approval, not to be unreasonably withheld, subject to required payments.
- 12.5 The right to use the neighbouring London Marathon Trust Community Track (the community track)(including for fire evacuation assembly and as general green space for the students during break times provided that the stadium operator is consulted regarding the frequency of use for breaks or sports use and can (acting reasonably) temporarily suspend such use or reduce its frequency if the grass may become or is becoming damaged or the track is otherwise at risk of becoming damaged) and all associated facilities to the community track within school term times only between the hours of 8:00am and 4:00pm, upon payment of an annual user fee of up to **s.43** to the Landlord (the said payment to be decided by the Landlord acting reasonably) (the **s.43** cap to be increased annually in line with RPI), the terms of such access to be agreed between the parties (acting reasonably) and documented in a separate agreement supplemental to the lease.

13. Landlord's Rights Reserved Rights of support, rights of light, rights to connect to and use conduits, and rights of access for the purpose of works to adjoining land required.
14. Term The lease will be for a term up to and including 28 August 2125 beginning on the date on which the lease is completed.
15. Rent The rent under the lease will be one peppercorn per annum.
16. Premium None.
17. Tenant's Break Clause The Tenant will have the right to break the lease at the end of the **s.43** of the beginning of the term. To exercise the right to break the Tenant must give the Landlord **s.43** prior written notice. The break right is conditional upon the Tenant not being in arrears for estate charge or other costs under the lease or in material breach of the repairing covenant under the lease as at the break date.

18. Charging		The Property can be charged without Landlord's consent.
19. Early Access	19.1	The Tenant may access the site prior to exchange of contracts and/ or following exchange of contracts for the purposes of undertaking preparatory and enabling works and/or undertaking survey work subject to Landlord's approval and subject to its obtaining any necessary consents or permissions (including planning) and subject to the Tenant reinstating any works carried out at the Property (if so required by the Landlord) in the event that the lease does not complete by 31 st March 2017.
20. Exchange & Completion	20.1	The parties will endeavour to exchange contracts by 31 st August 2016
	20.2	Completion will take place following satisfaction of all the conditions precedent for completion.
	20.3	The Agreement for Lease will permit the Tenant to assign the Agreement for Lease to another school trust or S of State prior to completion with Landlord's consent not to be unreasonably withheld or delayed save that the Landlord can refuse such consent if in its reasonable opinion the criteria set out in para 11.1 are not all met and/or the assignee is unable to deliver the whole of the Development.
21. Conditions Precedent for Exchange of Contracts	21.1	Satisfactory completion of title investigation;
	21.2	Receipt of satisfactory survey results by the Tenant;
	21.3	Grant of Mayoral Consent to the lease.
	21.4	Contracts being exchanged simultaneously in respect of the Sweetwater site for the grant of a lease from London Legacy Development Corporation to the Tenant as per the Heads of Terms of equal date hereof.
22. Conditions Precedent for Completion		Completion will be conditional upon:-
	22.1.	Tenant obtaining planning permission (without a challenge being made during the JR period subject to the terms of 20.2 above) for the whole of the Development upon terms acceptable to the Tenant. For the avoidance of doubt, planning permission in respect of part of the Development only shall not satisfy this condition.
		It is noted that the planning permission for the Development may be dealt with by the Tenant by way of one or more planning applications. The following mechanism shall apply to the Tenant's attempts to obtain

Landlord's approval for each individual planning application.

The Tenant shall submit the draft planning application to the Landlord for approval. The Landlord's pre-planning approval shall relate to elements of the draft planning application not previously approved by the Landlord in writing and expressly stated to be approved by the Landlord pursuant to this condition precedent. All design consents and approvals previously granted by the Landlord (through representation on the Design User Group) and expressly stated to be approved by the Landlord pursuant to this condition precedent will stand and will not be significantly varied at the pre-planning approval stage. The Landlord shall consider the draft planning permission application in a diligent and reasonable fashion and shall within 5 working days either approve the application or require that the Tenant amend the application. If the Landlord requires that the Tenant amend the application, the Tenant shall do so and resubmit the application to the Landlord within 5 working days. The Landlord shall then have a further 5 working days either to approve the application or require that the Tenant amend the application.

Multiple submissions of the application may be made by the Tenant until Landlord's approval is obtained. Where multiple applications are necessary, the Landlord will use its reasonable endeavours to reduce his approval period to assist the Tenant's delivery programme. If the Landlord fails to respond to a submission of an application for approval within 5 working days, approval shall be deemed to have been granted. Upon DUG final approval the Tenant will apply for that planning permission and pursue that application with due diligence.

The Tenant will agree and complete any planning obligation requirements that the relevant planning authority may have in connection with the granting of the planning permission

22.2 In the event that the planning applications are refused or are subject to such onerous conditions so as to not

amount to an acceptable planning permission in total, the Tenant will appeal and will use reasonable endeavours to progress that appeal. In the event that the planning permission is not obtained or cannot be obtained without being subject to onerous conditions within a nine month period of the initial refusal (or initial grant subject to onerous conditions), the Tenant will not be required to make any further endeavours as regards appeal.

22.3 The long-stop date for the satisfaction of the condition will be 31st March 2018

22.4 Superior landlord consent to the proposed underletting being secured, by way of a formal licence, such licence to include variations to the terms of the head leases as are necessary and agreed between the respective parties.

23. Costs

Each party is responsible for its own legal and professional costs in connection with this transaction

24. Use

See EFA model lease.

25. Additional

The Landlord will provide EFA staff, or their representatives access to and obtain a copy of the Property's health and safety files and the Operational and Maintenance Manuals and full Property drawings and schematics.

26. Construction

The Tenant will obtain all consents and approvals required from the relevant authorities to commence construction.

The Tenant must construct the school and associated infrastructure works at the property and surrounding areas as applicable according to the planning permission(s).

The construction site must be suitably hoarded and secured by the Tenant at all times at its own cost.

The Landlord and Tenant will form a Project Steering Group to review the construction works on a regular basis.

The Tenant will cooperate with the stadium project manager (including the agreement of a Tenant's construction logistics plan).

If requested, the Tenant shall construct a spur and manhole (as the Landlord requires) from its own foul water connection to the primary foul sewer on the loop road to and for the benefit of the Landlord's adjoining land at the Landlord's cost (costs to be properly incurred).

Subject to clarification of dates, no construction is to take place at the Site on any stadium event day (including for the avoidance of doubt all Captain's Run Days prior to the Rugby World Cup).

The construction site, consisting of the Property and surrounding area, will vary from time to time during the construction works as notified by the Landlord. In particular the site will be [reduced] as of c. 21/03/16 for a period of [] months in respect of an area of [] square metres shown approximately in the location edged [green] on the attached plan in order for the stadium contractor to complete the adjoining community track. Plan to be produced and agreed between the parties.

The Tenant shall allow the Landlord (and its contractors agents and employees) to use the south east access tunnel in order to access the adjoining stadium. Plan to be produced illustrating the location of the access tunnel.

27. Infrastructure Works

Where infrastructure works are required the Tenant will obtain collateral warranties and sub contractor warranties in respect of the infrastructure works in favour of the Landlord at the earliest opportunity.

28. District Heating and Electricity

The Tenant will comply with the provisions of the agreement dated 11 April 2008 made between (1) Stratford City Developments Limited (2) Olympic Delivery Authority and (3) Elyo East London Energy Limited relating to District Heating, and the agreement dated 22 May 2009 made between (1) Stratford City Developments Limited (2) Olympic Delivery Authority and (3) Lea Valley Utilities Limited relating to electricity. The Tenant will be obliged to purchase these utilities from the relevant parties in accordance with the terms of the relevant agreement.

29. Estate Charge

The Tenant shall pay an estate charge to the Landlord on an annual basis based upon s.43 of net internal area at the Property (once the school is constructed). This estate charge will be increased annually in line with RPI.

s.43

30. Forfeiture

The Landlord may forfeit the lease if any sums payable under the lease by the Tenant are not paid within 60 days of demand, if the Tenant is in substantial breach of the terms of the lease or if the Tenant becomes insolvent.

The Tenant will use its reasonable endeavours to enforce the terms of the building contract.

The Landlord may forfeit the lease if the school is not practically completed at the Property by the relevant longstop date. The relevant longstop date shall be 31st March 2020 save that in the event that the Tenant makes a planning appeal as per 22.2 of these heads, the longstop date shall be 31st March 2021. Provided always that the longstop date shall be kept under review and shall be capable of extension by the Tenant with the Landlord's consent (such consent not to be unreasonably withheld or delayed) if the Tenant notifies the Landlord in writing not less than 3 months prior to the relevant longstop date that the longstop date has become unachievable as a result of the occurrence of one or more of the following events:

1. If delays occur before the building contract is actually entered into, as a result of the school/EfA being unable to secure a contractor at the right price for the development (the Tenant having used all reasonable endeavours to secure a contractor and conclude the building contract);
2. Once the building contract has been entered into, if the contractor becomes insolvent or a catastrophic insurable event occurs;
3. After the building contract is entered into, there is a culpable delay event on the part of the appointed contractor

and if an extension is approved by the Landlord it shall be for a period of no more than 6 months (per approved extension).

The Landlord may forfeit the lease if the lease of the Sweetwater School Site terminates for whatsoever reason and at the same time

the tenant under the Sweetwater School Site is the same legal person as the Tenant.

All rights of forfeiture will be subject to the rights granted to the Secretary of State for Education in clauses 6.1.2 – 6.1.7 of the EFA Model Free School Lease.

31. Insurance

The Tenant shall insure the school, upon practical completion, with reputable insurers for the reinstatement value of the school. Prior to practical completion the Tenant shall insure the construction works. The Tenant shall obtain public liability insurance and occupiers insurance at all times.

32. Alterations and Additions

In addition to the provisions at clause 3.5 of the EFA Model Free School Lease, the Landlord may refuse consent to the erection of any buildings or other structures at the Property or the making of any structural or external alterations additions or variations at the Property if this would have the adverse effect on the value of the Landlord's or Superior Landlord's interest in any adjoining land and/or the value of the Queen Elizabeth Olympic Park.

33. Obstruction

The Tenant covenants not to obstruct any roads on the Queen Elizabeth Olympic Park at all times.

34. Monitoring

The Tenant will ensure, both before and post completion of the lease (and for the duration of the lease term) that its contractors and/or occupants will provide the Landlord and/or the Superior Landlord with such monitoring information as it requires from time to time including (but not limited to) the following subjects: build cost (for the LCS credit/deficit process), job, skills, sustainability etc.

35. Community Use

35.1 The Tenant will make the sports hall and associated changing facilities at the Property available for community use for a minimum of 20 hours per week. The time and content of the agreed community hours use will take into account the operation of the school curriculum

35.2 The design of the school and in particular the changing rooms and sports hall will have the flexibility to maximise the opportunities for community use and shall take into account shared efficiencies that may be possible with the adjacent community track.

35.3 Community access will be subject to appropriate payment to the school and charges will not exceed those for comparable

sports facilities hire in the local area.

36. E20 Event Day Use

36.1 The Tenant will co-operate with the Landlord on the efficient delivery of Stadium events including the timetabling of School and Stadium Event Days.

36.2 The Tenant will use reasonable endeavours to make the sports hall, dining and associated toilet facilities at the Property available on up to 22 event days per annum outside of school hours only for functions that support the delivery of events in the Stadium. The choice of event days by the Landlord in any one year will take into account the operation of the school curriculum and the Landlord shall provide the Tenant with reasonable prior written notice of any such event days. These event days may be utilised by the Landlord, Superior Landlord or a nominated representative.

36.3 The design and management of the school must ensure that there is sufficient flexibility to ensure segregation of the facilities required for the event days from the rest of the School in order to minimise the need to open other parts of the school during event day hours.

36.4 The Landlord's Event day access will be subject to appropriate payment to the school by the Landlord or its nominated representative. The charge levied for facilities will not exceed that charged for hire of comparable facilities in the local area.

Item: xx
Subject: Stadium Transformation Update – Retractable Seating
Meeting date: 28 January 2016
Report to: E20 Stadium LLP Board
Report of: Colin Naish, LLDC Executive Director of Stadium

1. Summary

- 1.1. With the summer 2015 events successfully concluded, the second phase of Stadium Transformation works are now underway. This paper sets out the delivery challenges on the relocatable seating contract resulting from the Contractor's performance to date and Alto Seating Systems Limited ('Alto') having commenced Creditors' Voluntary Liquidation proceedings on 30 September 2015.

2. Recommendations

- 2.1 The Board/Committee members are invited to:
- 2.2 **NOTE** the residual transformation programme and work sequence challenges
- 2.3 **APPROVE** the planned exit from the E20's relocatable seating works contract with Alto Seating Systems Limited and Sapa Profiles UK Limited.
- 2.4 **APPROVE** the procurement of a new Seating Transition Contractor

3. Background

- 3.1. The Monthly Dashboard to the end of December 2015 is attached at Appendix A.
- 3.2. With the event critical elements of the Stadium transformation project delivered to enable the Summer 2015 events to be held, the board received a paper in November 2015 setting out the remaining work packages inside and outside the bowl, as well as the challenges overcome to date on the installation of the retractable seating system, emerging concerns on achieving the seven day transition time and the approach being taken to assessing residual project cost risk through to project completion.
- 3.3. The seating contractor is Alto Seating Systems Limited ('Alto') and Sapa Profiles UK Limited ('Sapa'). Alto and Sapa are each jointly and severally liable to E20 under the relocatable seating tier works package contract.
- 3.4. Alto commenced Creditors' Voluntary Liquidation proceedings on 30 September 2015; Sapa are now solely responsible for completing the retractable seating works and (among other things) demonstrating that the seats can transition from pitch to track mode, and from track to pitch mode, within seven days, as required by the performance specification. Sapa has been left in a difficult position as its core business is the extrusion and fabrication of aluminium components, not delivery of construction contracts.
- 3.5. The most significant challenge the Stadium transformation project faces in this second phase of works is the coordination between Balfour Beatty and Sapa's delivery of their residual scope. All these works are start and end date constrained. The start was dictated by Race of Champions bump-out and Sapa's eventual retraction of the seats to reveal the track surface so

that Balfour Beatty's works to replace it can commence, and end date constrained by the Balfour Beatty contract completion date of 27 May 2016 and the stage construction in readiness for the concert on 4 June 2016.

- 3.6. The major risk is the short time period of 12 days post Diamond League athletics (22/23 July 2016) and pre WHUFC's first game (6 August 2016) in which to transition the seating from track to pitch mode.

4. Relocatable Seating Delivery Issues

- 4.1. Progress post the Summer 2015 events has continued to be frustrating, with only the temporary elements installed to enable the Summer 2015 events to proceed having been removed before the Christmas break, and Sapa's focus appears to have been on commercial positioning and cost recovery. As a result, consideration has been given by LLDC/Mace to developing an alternative delivery route with the aim of improving on delivery certainty in time for WHUFC's first game, the rationale for this being:

- Sapa has not complied with Mace's Project Manager's Instruction (PMI) to move seats back into track mode by 23 December 2015, impacting on Balfour Beatty's ability to commence track replacement works which will result in additional cost to E20/LLDC for delays and disruption
- Sapa has shown no desire or ability to produce standard documentation from project programmes to revised organisation structures.
- Concerns on Sapa's ability and appetite to achieve 27 May 2016 completion date (track mode) and to transition into pitch mode in 11 days post Diamond League athletics ready for WHUFC's first game
- The need to avoid a ransom situation developing as Summer 2016 events approach (4 June concert and 22/23 July athletics now announced)
- Anticipated need for E20 to have to step in again with a temporary overlay solution for 2016 Summer events, which would put LLDC in the same position next year as we are currently in now, needing to complete the seating works, but this time in a live stadium operating environment
- Sapa's current claims focus rather than delivery focus, targeting the interface with Balfour Beatty's works contract (access dates and the surface the seating system sits on)
- LLDC's desire to mitigate risk of not having a finished retractable seating system in place for WHUFC's first game by taking direct control of delivery

5. ALTERNATIVE DELIVERY ROUTE

- 5.1. In the light of the current delivery issues and the immovable summer 2016 completion deadline, consideration has been given to an alternative delivery route that best mitigates the delivery risk of being ready for WHUFC's first game puts in place a more appropriate, longer term, Seating Transition Contractor for E20 and, potentially, LS185.

- 5.2. s.42 [REDACTED]

- 5.3. s.42 [REDACTED]

- 5.4. s.42 [REDACTED]

- 5.5. Following the outcome of a meeting with Sapa to discuss the conditions of an s.43 and approval from LLDC's Investment Committee E20 will receive from Sapa:
- immediate transition into track mode (to facilitate the Balfour Beatty track works)
 - design warranties from Sapa's designers and suppliers
 - design details for required concert mode modifications
 - fabrication, painting and delivery to site of all remaining parts
 - completion of residual hydraulic installation works
 - painting of all parts that were delivered unpainted to site
 - completion and issue of all operation & maintenance manuals and as-built drawings
 - ongoing cooperation on achieving the above
- And in exchange Sapa would be released from:
- obligation to achieve and demonstrate the seven day transition
 - any potential E20 claim on Alto/Sapa's Performance Bond
- 5.6. The intention now is to procure a Seating Transition Contractor who will be incentivised to undertake the transition safely and as quickly and efficiently as possible, providing a competitive price for the 2016 transitions in anticipation of being novated to LS185 for a longer term role.
- 5.7. The new Seating Transition Contractor would be under the management of LLDC/E20 for the Summer 2016 seat moves and the Summer 2017 WAC seat moves, as under the terms of the Operator contract, LLDC/E20 is required to demonstrate that the full pitch to track and back to pitch mode transition is in compliance with the performance specification (including the seven day transition) prior to LS185 committing to a price for all future transitions under the Operator contract.
- 5.8. As the new Seating Transition Contractor would now be best placed to transfer lessons learnt to all future transitions, the option of a contract novation from E20 to LS185 would be built in to the procurement process and accordingly, LS185 would be invited to participate in the tender evaluation process.
- 5.9. s.43
 LS185's interest in having the option to accept a novation of the seating transition contract post completion of the 2017 transition demonstration would drive potential contract duration and therefore value. Should the contract value exceed the relevant European Union procurement threshold, an OJEU Open Tender procedure would be followed, which would take 60 days to conclude. The tender would be launched in February 2016 and appointment made in early May 2016, providing sufficient mobilisation time before the first seat transition to be carried out in June/July 2016. Interest in the tender opportunity would be sought from companies active in the temporary events infrastructure market, many of whom are known to LLDC through their involvement in delivering Games-time temporary structures for ODA and LOCOG.
- 5.10. The combined (Sapa / new Seating Transition Contractor) seating delivery plan will be as follows:
- Sapa transitions the North, South, East and West Stands into track mode to reveal the Mondo track
 - Balfour Beatty remove existing Mondo track, make the undersoil heating connections and construct the western jump pits
 - s.43
 - New Seating Transition Contractor appointed May 2016
 - Balfour Beatty lay new track

- Balfour Beatty and Portview complete 27 May 2016
- Concert (4 June 2016)
- Seating Transition Contractor transitions the East Stand (including mid-tier infill) to pitch mode
- GNLR (17 July 2016)
- Diamond League (22/23 July 2016)
- Seating Transition Contractor transition the North, South and West Stands into pitch mode, ready for
- WHUFC's first game in the Stadium (6 August 2016)

5.11. s.43



Appendices

Appendix A – Monthly Transformation Dashboard – December 2015

Report originator(s): Colin Naish
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S.43

Subject: E20 Insurance requirements

Meeting date: 28 January 2015

Report to: E20 Stadium LLP Board

Report of: Martin Gaunt (Business Manager, E20 Stadium LLP), and s.40
(Insurance Advisor to E20 and LLDC)

1. SUMMARY

- 1.1. E20 needs to agree the type and level of insurance cover to put in place for 2016-17, notably the cover required once transformation works are completed (and the insurances that relate to that work expire). Work is ongoing to establish the most cost effective means of holding adequate cover, in particular in relation to public liability insurance. Subject to the outcome of this work, insurance costs may exceed the current business plan provision.

2. RECOMMENDATION

- 2.1. The Board is invited to **AGREE** a budget of up to s.43 E20's insurance requirements in 2016-17, in order for E20's insurance adviser to put in place adequate cover. This budget exceeds the business plan provision s.43 as it now assumes E20 takes out s.43. The most cost-effective means of holding adequate cover against this risk is subject to ongoing assessment, and could bring this cost down. The budget also includes contingency at 10%, in case final quotes exceed current forecasts.
- 2.2. The Board is invited to **NOTE** that the forecast insurance costs for E20 in steady state once transformation is complete (i.e. 2017-18 as the first full year) are s.43. This forecast exceeds the business plan provision s.43 as it again assumes E20 takes out s.43.

3. INSURANCE REQUIREMENTS

- 3.1. LLDC advises E20 on its insurance requirements, via its TfL shared services Insurance Advisor s.40.
- 3.2. E20 previously considered its insurance requirements in its resource business plan, agreed in June 2015. The business plan made provision for insurance costs as follows:
 - 3.2.1. s.43 (very limited cover necessary due to existing cover in place s.43);
 - 3.2.2. s.43 (transformation works cover expires at end August 2016);
 - 3.2.3. s.43 (i.e. from 2017-18 onwards).
- 3.3. All necessary E20 insurances are in place for 2015-16, at an out-turn cost of s.43 s.43.

- 3.4. E20 now needs to agree the type and level of insurance cover to put in place for 2016-17, notably the cover required once transformation works are completed (and the insurances that relate to that work expire). E20 highlighted at the 4 November Finance and Audit Committee that forecast insurance costs for future years may exceed the business plan provision, primarily due to the latest assessment indicating the need for E20 to hold its s.43. An increase in insurance premium tax, to s.43, had also had an adverse impact on forecasts. E20 therefore undertook to present a paper to the Board setting out the assessment of requirements, and the forecast costs.
- 3.5. This paper now considers the different insurances E20 is recommended to hold. Further supporting detail is provided at Appendix A.

4. PROPERTY INSURANCE

- 4.1. E20 are in discussion with our insurance brokers, JLT Specialty and our members to understand whether it is s.43. Currently JLT have indicated that arranging s.43.
- 4.2. E20 is responsible under the terms of its lease with LLDC for arranging and paying for the costs of insuring the Stadium and surrounding buildings on the Stadium Island. E20 retains responsibility for Property insurance in the Operator Agreement.
- 4.3. An insurance reinstatement valuation will be carried out in 2016 by GL Hearn post-completion of Stadium Transformation, to provide E20 with an independent value for insurance purposes. The cost of this valuation is s.43. In the meantime a reinstatement figure of s.43 has been assumed to ascertain provisional insurance costs. (This is a separate valuation to the asset valuation also being undertaken by GL Hearn.)
- 4.4. The budget premium for 2016-17 is indicated at s.43 for 'all risks of physical loss or damage' cover including the terrorism risk, subject to a s.43 deductible as specified in the Operator Agreement. E20 may elect to buy cover at a lower deductible level if the saving does not warrant E20 taking such a high level of self-insurance. E20 pick up the deductible under this policy.
- 4.5. Cover under this policy will run from August 2016 when E20 assumes responsibility for insuring the Stadium Island.
- 4.6. The steady state premium for future years is estimated at s.43 based on the above (but for a full 12 month period). These forecasts are subject to the final insurance valuation, the state of the insurance market and there being no further change to insurance premium tax.

5. PUBLIC LIABILITY INSURANCE

- 5.1. There is a premium benefit to E20 being an insured under a s.43. At present, indicative terms provided by JLT Specialty, E20 and LLDC's brokers suggest a s.43 is achievable depending on the limit purchase if E20 and LLDC (or LBN) agree to jointly insure under one policy. E20 will continue to investigate this option and subject to LLDC and LBN approval, will set up a programme on best terms understand that LLDC may decide that a higher limit than that they currently buy may be appropriate to protect their exposures.
- 5.2. Advice from E20's lawyers has confirmed that E20 s.43.

- 5.3. E20 need therefore to buy s.43 [REDACTED].
Risks where E20 remain liable include:
- 5.3.1. a catastrophe Stadium event s.43 [REDACTED]
 - 5.3.2. s.43 [REDACTED]
 - 5.3.3. risks to third parties including guests at events, use of office space, injury to third parties and the like
- 5.4. Premium indications were obtained for different limits. It is recommended E20 buy a s.43 [REDACTED]
- 5.5. The budget premium for 2016-17 is indicated s.43 [REDACTED] negligent acts. The indication reflects the significant contingent nature of the risk but does not reflect the possible savings if E20 insures jointly with LLDC.
- 5.6. Cover under this policy renews in June but will be brought into line with s.43 [REDACTED]
- 5.7. The steady state premium for future years is s.43 [REDACTED] but does not reflect the possible savings if E20 insures jointly with LLDC.

6. OTHER NECESSARY INSURANCE POLICIES

- 6.1. s.43 [REDACTED]
- 6.1.1. The recommendation is that with effect from renewal, a stand alone policy will be purchased.
- 6.2. s.43 [REDACTED]
- 6.2.1. The recommendation is that with effect from renewal, s.43 [REDACTED]
- 6.3. s.43 [REDACTED]
- 6.3.1. s.43 [REDACTED]
- 6.4. s.43 [REDACTED]

6.4.1. The recommendation is that with effect from renewal, E20 buy their own programme as they are a stand-alone company.

6.5. The total cost of cover for Directors & , Employers Liability, Personal Accident/Travel, and Crime, is estimated at s.43 .

7. FEES

7.1. E20 will incur fees to assist with the internal administration of insurance advice and for the placement of their insurance programme. s.43

7.2. s.43 – As per the Services Agreement, LLDC charge out the shared service cost to E20 on an ‘as used’ basis. In 2016/2017 the budget is s.43 . This is also the indicated steady state cost although once the programme is put in place, the level of this service – and cost – is expected to reduce.

7.3. s.43 – The expected fees charged by E20’s broker, JLT, are s.43 per annum. E20 will be reviewing broker services later in 2016, and it is expected that once an insurance programme is in place, the cost of broker fees will reduce.

8. TOTAL COSTS

8.1. The potential total costs in 2016-17, and in steady state, are summarised below. These costs include insurance premium tax at s.43.

Insurance Cover / Fees	Forecast 2016-17 Premiums (following expiration of Stadium Transformation policies in August 2016)	Forecast annual steady state Premiums (2017-18 onwards)	Comments
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s.43

- 8.2. To note that for future years the property insurance premium is likely to **s.43** per annum to allow for a similar uplift in the stadium reinstatement value.
- 8.3. To note that premium rates are currently assessed as low. If an adverse event takes place either within the stadium or externally that increases the risk level, premiums could rise significantly.

9. NEXT STEPS

- 9.1. Q1 – E20 Board approval is sought for budget as above, subject to ongoing work by to assess the most cost-effective means of obtaining cover.
- 9.2. Q1, Q2 & Q3 – E20 liaise with brokers to arrange placement of cover on basis outlined above.
- 9.3. Q3 – insurance reinstatement valuers appointed to establish the insurable values for all buildings in E20's domain.
- 9.4. Q4 – Post-renewal report to E20 Board.

Report originator(s): Martin Gaunt, **s.40**

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S.43

Agenda

Meeting: E20 Stadium LLP

Date: 30.03.16

Time: 10am-12pm

Meeting Venue: Newham Dockside, London Borough of Newham

Member Representatives Expected:

David Edmonds (LLDC and Chair), David Gregson (LLDC), Nicky Dunn (LLDC), Katharine Deas (NLI), Lester Hudson (NLI)

(Ex-Officio Members) David Goldstone (LLDC), Kim Bromley-Derry (NLI)

Also Expected:

Alan Skewis (E20), Colin Naish (LLDC), Gerry Murphy (LLDC), **s.40** (NLI), Martin Gaunt (E20)

Agenda Items

1. Welcome and Apologies
2. Minutes of the meetings held on 28 January 2016
3. E20 Director Update
4. E20 Business Plan
5. West Ham United to attend Meeting at 10.30am – proposed agenda for this item to be circulated in advance
6. Naming Rights – Paper to follow
7. Capital Investments:
 - a. Stadium Dressing
 - b. Operator Led Improvements – Verbal update to be given
8. Transformation Update
9. Ticket Allocation
10. AOB
11. Date of the next meeting: *The next meeting will be held on 20 April 2016 at LLDC*

Subject: E20 Director Update

Meeting date: 30.03.16

Agenda Item:

Report to: E20 Stadium LLP Board

Report of: Alan Skewis, Director of E20 Stadium LLP

1. SUMMARY

- 1.1. This report provides the E20 Stadium LLP Board (“the Board” or E20) with an update from the Director and E20 team on various work streams. This report, and future reports from this Director will focus on the key risks and opportunities facing E20.

2. RECOMMENDATIONS

- 2.1. The Board is invited to:
- 2.2. **NOTE** the work stream updates.
- 2.3. **CONSIDER** the changes to the financial allocation of some of the E20s £14.2m discretionary funds, taking into account the potential for the £14.2m discretionary funds not being sufficient to meet E20 funding needs;
- 2.4. **AGREE** the increase in the delegation to the E20 Director from £200,000 to £500,000 for scope gaps and items that will need quick decisions in the coming months.

3. DIRECTOR OVERVIEW

- 3.1. The priorities for E20, based on a risk analysis remain those in January with changes shown in Bold:
- 3.1.1. Non-delivery of naming rights (Red Risk)
 - 3.1.2. Disputed Costs (Red)
 - 3.1.3. **Perception of an incomplete stadium in August 2016 (New & Red)**
 - 3.1.4. Financial position required further Member contributions (Red)
 - 3.1.5. Liability for retractable seating (Amber)
 - 3.1.6. Operator Performance (Amber)
 - 3.1.7. Managing stakeholders and tenants, especially WHU (Amber)
 - 3.1.8. E20 Resourcing and Staffing (**Green**)
- 3.2. The direction of travel on most of the risks is positive, with negotiations entered with a naming rights partner, an improved LS185 business Plan and staff recruitment meaning E20 is better prepared for the challenging months ahead.
- 3.3. Managing WHU is a recurring theme in the narrative on each risk. The club are single minded on a successful opening for their games, and constantly seeking to exert influence and rights to protect this. A balance must be achieved between managing the club as a key concessionaire and not disrupting the wider E20 business plan.

4. NAMING RIGHTS

- 4.1. A separate paper deals with naming rights. It remains the highest recurring financial risk for E20.

5. DISPUTED COSTS

- 5.1. There are a number of disputed costs with LS185 that are following the formal process for resolution as set out in the operator agreement. These represent a theoretical liability of up to c.£6m for E20. However the sum is likely to be less than that, assessed at c.£2m in the table in this paper.
- 5.2. The process is damaging to the relationship with LS185.
- 5.3. Following the process in the operator agreement the parties are now in mediation, with a date set for 20 April 2016.
- 5.4. WHU are also aware of the position, and it has generated a legal letter relating to E20 / LS185 obligations to meet catering standards.
- 5.5. s.43 [REDACTED]

6. PERCEPTION OF AN INCOMPLETE STADIUM IN AUGUST 2016

- 6.1. Since 2012 the stadium has been subject to significant transformation works. During the 2015 events E20 was able to justify areas that were incomplete on the basis of works being complete for 2016. E20 cannot rely on this from June 2016. However, there remains a real risk that there will be a perception of deficiencies in the stadium at the 2 critical points on June 4th and 6th August 2016.
- 6.2. The most critical perceptions are those of the naming rights partner; WHU; the media; and those of the public visiting the stadium.
- 6.3. The highest risk areas are:
 - 6.3.1. s.43 [REDACTED]
 - 6.3.2. Stadium not handed over and functional for 4 June 2016
 - 6.3.3. Football Requirements and Seats not in place for 6 August game
 - 6.3.4. Food and beverage offer not up to standard
 - 6.3.5. No external dressing on the stadium
 - 6.3.6. No “voids” solution
- 6.4. The above risks are being monitored, but it is crucial that they are managed out so they are not “Red” in late May and then late July. The disputes with LS185 over power and catering are pertinent in this respect as going through mediation limits the time to address issues in June / July.
- 6.5. It has also become apparent that there are a number of gaps in the stadium E20 is obliged to deliver. The main reasons for this are:

- 6.5.1. s.43 [REDACTED]

- 6.5.2. Scope gaps between LS185 and LLDC transformation works (installing the goal line technology at a cost of £13,500)
- 6.6. In many cases the differences are arguable by LLDC and E20. However, ordering periods ahead of event this summer does not allow long processes to determine exact allocation and delays.
- 6.7. A productive session to attribute funding responsibility for items was held between LLDC and E20 and NLI on the 21st March. These settled a number of items, listed in the table attached.
- 6.8. The items are not exhaustive, and there will be additional issues arising on the coming 4-6 months as handover occurs and then WHU start to play games. This is an additional risk to E20. However, the E20 Director needs to have delegated authority to agree matters where appropriate.
- 6.9. These will fall into 3 categories:
1. Agreement to proceed and E20 to fund (e.g. installing goal-line technology)
 2. Agreement that the order should be placed, pending finalisation of the funding source (e.g. the extra 40m of pitch side LED to take it from 240m to 280m, at a marginal cost of **s.43**)
 3. Invite a spend to save proposal from LS185 to upgrade the specification required to be delivered by LLDC transformation works (e.g. synthetic track cover, cameras)
- 6.10. This paper therefore asks for the cumulative sum in the existing delegation to be increased from £200,000 to £500,000 to deal with items that fall into category 1 and 2. In each case both a nominated person from each member (suggested as being Zoe Power from NLI and Gerry Murphy from LLDC) will be informed at the time of making decisions, and where possible consulted on the item.
- 6.11. Items in Category 3 will remain subject to the agreed “spend to save” process set out in January 2016 and updated in a separate paper to this Board meeting.

7. FINANCIAL POSITION

- 7.1. E20 has finite resources, and has to match very significant risk and liability with huge aspiration and pressure from its operator, WHU and shareholders. E20 has:
- 7.1.1. Business plan projections for 2016/17 that are below those projected in June 2015 and require £1.7m working capital above the current ceiling agreed by the E20 Members. This figure is most impacted upon by the delay in naming rights;
 - 7.1.2. An improved, but still delicate position on naming rights that could be disastrous for the business plan
 - 7.1.3. A high likelihood of a valuation below £40m
- 7.2. E20 still also has potential non-discretionary liabilities, including:
- 7.2.1. The identification of the issues identified in Section 6 above.
 - 7.2.2. Liability for disputed costs with its operator;
 - 7.2.3. A concessionaire who appears highly litigious, and is behaving as if it will dispute payment of the concession agreement payments;
 - 7.2.4. a retractable seating system which does not comply with the operator agreement 7 day turnaround;
- 7.3. Since the January E20 Board a number of discretionary spends have progressed:
- 7.3.1. Proposals for a stadium dressing with a £5m E20 contribution. A separate paper deals with positive progress.

- 7.3.2. Further changes to the seating and stadium structure if MLB is accommodated in 2017. These are £1.4m on top of the £750k already implemented to improve stadium flexibility in 2015. These may not be spent if MLB does not proceed.
- 7.3.3. Super gangways, that are included in the SAPA agreement at £740,000 rather than an estimate of £200,000 in the January board papers. Although this was above the estimate and the £500,000 delegation agreed at the E20 board, approval was agreed by an NLI Director and CEO of LLDC as the works are needed for the ACDC concert and they were included in the **s.43**.
- 7.3.4. “Spend to save” changes to the stadium have come through from LS185 in line with the January Board paper. These assist operations and provide an NPV well under 10 years. E20 needs to decide if it can afford to reset the limit at £1.25m rather than £0.5m given the gangways cost.
- 7.4. An assessment of the financial impact on these risks is set out in the table below.
- 7.5. As the “likely” case is above £14.2m E20 will need to carefully consider any future discretionary spends until the business plan and disputed costs are resolved. This includes:
 - 7.5.1. being firm on not extending funding into the stadium fabric wrap and digital screen over the £5m agreed, even though it produces a high risk planning scheme
 - 7.5.2. limiting release of funds for “spend to save” projects, even those that represent an excellent NPV return

Status	Item	Best Case (£)	Likely Case (£)	Worst Case (£)	Notes
Provision for additional stadium works		14.286	14.286	14.286	
Allocated or spent	First phase MLB works	-0.742	-0.742	-0.742	Initial investment already spent to facilitate MLB and other sports
	Digital wrap design costs	-0.6	-0.6	-0.6	Sunk costs on previous wrap proposal
	Widening stadium gangways	-0.74	-0.74	-0.74	Investment already approved
	Access to CCTV	-0.04	-0.04	-0.04	Spend to save measure already approved
Uncommitted funding remaining		12.164	12.164	12.164	
Provisionally approved subject to Board sign-off	Hard FM Services for 2015 events	-0.673	-0.673	-0.673	E20 and LLDC Officers recommend this is allocated in full to E20
	IT Active Equipment / switches	-0.198	-0.316	-0.395	LLDC transformation have recommended that 80% of the £395k cost is attributed to E20
	Other unresolved costs with LLDC, subject to Board approval	-0.064	-0.114	-0.2	Track cover/artificial grass, TV studio, goalline technology
Funding remaining		11.229	11.061	10.896	
Items where E20 has limited discretion or control	Disputed costs with LS185	0	-2	-6	Dispute resolution procedure with LS185 ongoing
	2016-17 additional working capital requirement, including Naming Rights shortfall	-1.5	-1.74	-4	Business plan projects a £3.74m loss in 2016-17, compared to remaining working capital available of £2m
Funding remaining		9.729	7.321	0.896	
Discretionary items	Mid / upper tier LEDs	0	-0.3	-0.643	this would be for E20 to fund. Option over extent of LEDs (desirable rather than an obligation)
	Pitch side LEDs upgrade	0	0	-0.25	E20 may be required to fund upgrade of the size/extent of the LED boards, to satisfy West Ham and LS185 request
	Additional "spend to save" measures	0	-0.5	-1	Director paper requests additional £500k
	Second phase MLB works	0	-1.418	-2	LS185 to decide if recommend based on whether this is an attractive event compared to others

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8. RETRACTABLE SEATS

- 8.1. It is clear that the system installed is not an optimal solution, and is currently unable to meet the 7 day turnaround that NLI/E2O believe is an LLDC transformation requirement. The December 2013 E20 Board paper was agreed on, which the operator agreement is based and which is necessary to meet the Athletics Window and Football Window in the respective UKA and WHU agreements.
- 8.2. s.43 [REDACTED]
- 8.3. s.43 [REDACTED] LLDC have developed a new tender for the movement of the seats is being issued. E20 have not seen these documents so cannot comment on them. They should clarify the turnaround time position going forward. However, there is no quick fix to what is a major issue with the transformation works.
- 8.4. E20 has to manage the risk that:
- 8.4.1. It inherits a system that required further capital work that it incurs. This could be millions if it accepted hand over from LLDC, and could ruin the E20 financial model;
 - 8.4.2. The seats are not in place for the events booked. The highest current risk is the WHU game on the 6 August 2016. For 2017 there is considerable risk if the MLB played on the 2/3 June 2017 weekend;
 - 8.4.3. The 7 day turnaround is not secured by the system limiting the number of events. LS185 will claim a change to the contract as the 7 day turnaround is not achievable;
 - 8.4.4. The agreed costs for moving the seats are above the £300,000 in the E20 business plan

9. OPERATOR

Stadium Operations

- 9.1. Since the January 2016 report LS185 have provided a much improved business plan. This has been tested by officers, and challenged by an NLI Director (Katharine Deas) and an LLDC E20 Board Member (Nicky Dunn). This engagement has generated more confidence in the approach being taken by LS185.
- 9.2. However, the financial forecasts generated by LS185 are below those in their bid and continued pressure is needed to ensure they commercialise the stadium. This is sometimes at odds with the pressure placed on them by stakeholders protecting their interests (WHU) or wanting to promote their wider London event aspirations (GLA).

10. KEY STAKEHOLDERS

- 10.1. Stakeholder relations remain time consuming and complex.
- 10.2. By far the most challenging is the relationship with WHU, who are increasingly anxious about opening, and have been litigious in their approach to E20. Attempts have been made to improve relations, while being wary of the club's single minded approach.
- 10.3. WHU relations with LS185 are becoming established, and E20 has to extricate itself from WHU matters where possible. This should happen as the stadium opens, but the next 6

months E20 will be dealing with WHUs single minded focus on them as a club, with little regard for other aspects of E20s business.

- 10.4. UKA are planning for the Diamond League meeting in 2016, and it is anticipated that there will be no major issues.
- 10.5. London 2017 has undergone significant change recently, and this increases risks relating to the expertise and focus on the London 2017 event.
- 10.6. Legatum School: E20 will have a direct lease and relationship with Legatum Academy, who will start on site later this year. The focus for recent work has been on protecting LS185 access to the stadium on event and non-event days during construction.

11. E20 STAFF

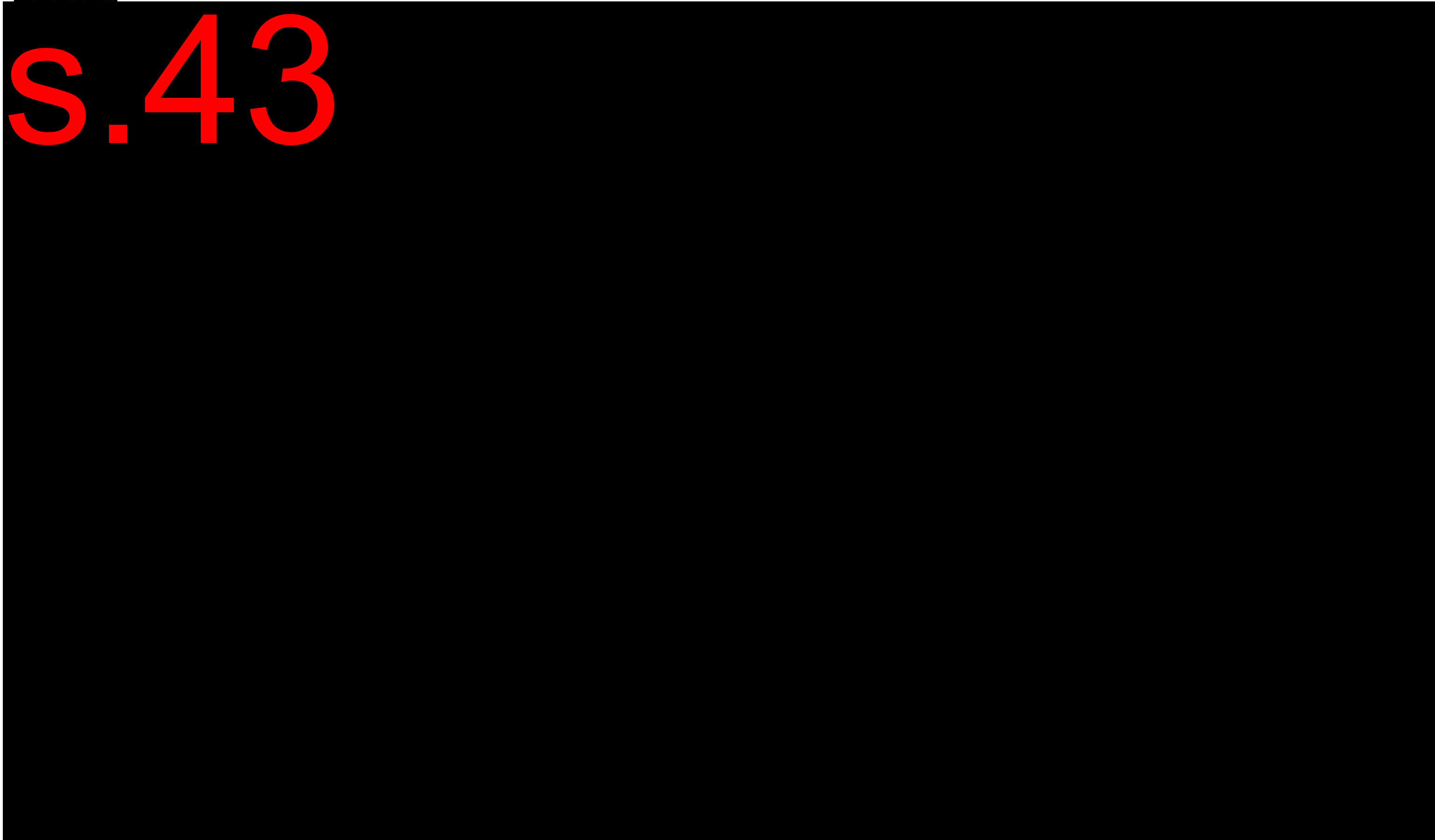
- 11.1. The staff resource identified at the January 2016 E20 Board has been implemented, with the team fully in place when the new PA (s.40) joins in the next month. The addition of s.40 to the team has created a focus for the stadium dressing work, and should help build confidence with WHU on this element of the project.
- 11.2. The changes are in line with the 2016/17 business plan budget presented.
- 11.3. As this has moved to a “Green” risk it will not be routinely reported in future months.

Annex: Latest LS185 Monthly report to E20 (attached separately)

Annex: Summary of position provisionally agreed at 21 March 2016 Exec Group, subject to final approval by the E20 Board

Item	21 March Exec Group Decision	Total	LLDC	E20	LS185	Future Responsibility
IT Active Equipment / Switches	LLDC to fund proportion specific to fulfilling Members Agreement requirement for "standalone systems to meet safety requirements." Colin to propose % for consideration. In the meantime, 50% is assumed.	395,000	197,500	197,500	0	E20
Hard FM Services	E20 fund, providing profits from RWC cover this cost (they do).	673,000	0	673,000	0	E20/LS185
Retractable Seating Movements	E20 to fund £300k per annum as per its business plan, until system is successfully demonstrated and handed over to E20/LS185. Until that point, LLDC fund the balance. Once handed over, E20 to bear the full cost.	1,720,274	1,420,274	300,000	0	LLDC 2016, 2017. E20/LS185 2018 and future
Goal Line technology (GLT)	E20 to fund.	13,500	0	13,500	0	LS185
Synthetic track cover, and Artificial grass between touchline and track	LLDC to fund protective cover for full track. Any aesthetic enhancement to be funded by E20. Costs uncertain, so currently assumed £200k protection cost, £50k aesthetic enhancement.	250,000	200,000	50,000	0	LS185
Airwaves	LLDC to fund fixed £360k. Any overrun sits with E20/LS185.	360,000	360,000	0	0	E20/LS185
Enhanced CCTV in Stadium	LLDC to fund fixed £85k, LS185 £65k. Any overrun sits with E20/LS185.	150,000	85,000	0	65,000	E20/LS185
Draught Beer	Requirement and funding responsibility under review					
English Premier League Requirements for TV Studio	LLDC to deliver TV studio compliant with EPL requirements. E20 to fund any further enhancement (eg. raising the floor - estimated £50k).	50,000	0	0-50,000	0	E20/LS185
Dugout seats	West Ham to fund, but as a scope swap with LLDC	20,000	0	0	0	West Ham
Disputed costs with LS185	E20/LLDC/NLI to present united front in dispute with LS185.	3,000,000	0	0	3,000,000	LS185
Further disputed costs with LS185 (Grow lights and tractors)	E20/LLDC/NLI to present united front in dispute with LS185.	600,000	0	0	600,000	LS185
Pitch side LEDs	LLDC to fund the majority, but E20 may fund upgrade in extent/size of LED boards	688,000	688,000	0-188,000	0	LS185
Mid and Upper tier LEDs	E20 to fund. Cost tbc, but up to £643k. Mid Tier only is c£300k	643,000	0	300,000 - 643,000	0	LS185
Total		8,562,774	2,762,774	2,115,000	3,665,000	

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E20 STADIUM LLP

Business Plan and 2016-17 Budget

(Version to E20 Board on 30 March 2016 for approval)

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1. Executive Summary

The stadium is due to open permanently in summer 2016 following the successful completion of extensive transformation works that have taken place since the London 2012 Olympic and Paralympic Games. The stadium will be a world class, multi-use venue that will play host to Premier League football, international athletics, concerts and other high profile events.

E20 Stadium LLP has been formed as a joint venture by the London Legacy Development Corporation (LLDC) and Newham Legacy Investments (NLI – a wholly owned subsidiary of the London Borough of Newham) to own and manage the stadium. This business plan for E20 Stadium LLP is the second full business plan for the stadium in legacy mode. It builds upon the business plan approved by the E20 Board in June 2015, but nevertheless represents a full bottom-up review of all income and expenditure projections.

The business plan comes at a vital point in E20's business strategy. It is important to recognise that the stadium is still some way away from entering a "business as usual" model. The transformation works will be completed, and the stadium handed over to the operator – London Stadium 185 – ahead of the opening event in June this year (an AC/DC concert). There follows Diamond League athletics, and then from August the arrival of West Ham United and Premier League football. The following year, 2017, will see the stadium host the IAAF and IPC Athletics World Championships. Only after that point will the stadium settle down into something akin to a steady state – though the programme of world class events is expected to continue year on year.

The business plan reflects this journey, from initial costs associated with start-up and opening, through to long-term profitability. After the initial mobilisation phase, E20 Stadium LLP is forecast to generate a significant annual surplus every year from 2017-18 onwards, typically of between £1m to £1.3m. This includes a forecast annual profit generated from West Ham's presence in the stadium. The surpluses generated by the stadium will be returned to the taxpayer via distribution to E20's members LLDC and Newham.

As is to be expected at this stage in E20's existence, this business plan contains a number of assumptions with regard to the operation of the stadium, the events and partners it is able to secure, and the overheads it is likely to incur. These will remain under review, and will be updated in future iterations of this business plan. E20 and its operator anticipate that as the stadium becomes more established, the level of annual surplus will grow from the figures presented in this plan.

The stadium is also set to deliver a raft of broader benefits for the local community and economy. As a world-class, multi-use venue, the Stadium will be 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. Almost 1000 local people have worked on the stadium transformation works, and E20 is committed to ensuring that at least 75% of employees will come from the London Borough of Newham once the stadium has opened. The stadium will generate an estimated 1.5 million additional visits to the Queen Elizabeth Olympic Park every year. The Stadium will become the national competition centre for UK Athletics, and will be the only venue in the country capable of hosting top level athletics and football.

2. Introduction

Background

This business plan for E20 Stadium LLP is the second full business plan for the stadium in legacy mode. It builds upon the business plan approved by the E20 Board on 2 June 2015, but nevertheless represents a full bottom-up review of all income and expenditure projections.

The business plan sets out a summary of the business of E20 Stadium LLP, its members and stakeholders, financial projections and budgets, and key risks and opportunities. The full financial summary in chapter 11 provides the detailed income and expenditure projections for the ten year period from 2016-17 to 2025-26.

The business plan comes at a vital point in E20's business strategy. It is important to recognise that the stadium is still some way away from entering a "business as usual" model. The stadium has yet to be handed over in its permanent form, its major tenant has yet to kick a ball, its reputation in the concert market is in its early stages and its operator is mobilising having been in place for just over a year. E20 is currently in a high risk period of its business life.

The figures in the plan will change in the coming 12 months and beyond as the stadium finds ways to increase revenue, manage risk and maximise its potential.

However, the future of the stadium looks bright:

- The 2015 events built the stadium's reputation as a major multi-sport venue in London. Significant experience and lessons were taken from these events, and have been integrated into this business plan.
- West Ham's successful 2015-16 season means that there is a real prospect of European football in the opening year of the stadium.
- The next iteration of this business plan will be presented at the end of what E20 expects to be a successful football season, ahead of a series of concerts or major sports events, and three months before the stadium will host the International Paralympic Championships and World Athletics Championships.

Establishment and aims

E20 is a limited liability partnership incorporated on 6 July 2012 under the Limited Liability Partnerships Act 2000 with the London Legacy Development Corporation (LLDC) and Newham Legacy Investments Limited (NLI) and as the initial and sole members of E20. 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 has been formally established as the vehicle to deliver the post-Games transformation of the stadium, and then its ongoing management. E20 will seek to return a financial surplus from its operations to its members. It will also help to ensure the Stadium is integrated with the surrounding communities, contribute to local regeneration and social improvement aims, and create strong linkages with local sport clubs and educational bodies.

On 20 December 2013 LLDC granted to E20 a lease of the Stadium Island for a term of 99 years. The lease will be for the Stadium Island site in its entirety (excluding bridges and tow paths). LLDC has also subsequently licenced certain rights to E20 in respect of the South Park.

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.

The business of E20 will be to ensure a financial return to its members, and ensure the stadium delivers sustained legacy benefits. In particular, the LLP will:

- Aim to deliver an annual financial surplus for its members, after an initial period of opening and mobilisation;
- Enter into and perform its obligations under the transaction documents (i.e. the obligations within the Concession Agreement and associated documents);
- Operate the Stadium in order to deliver the expected legacy benefits while delivering a programme of sport, community, cultural and commercial events, allowing year round community access;
- Maximise the commercial elements of use of the Stadium, either directly or through contracts with one or more specialist companies; and
- Undertake such other business as may be decided upon by the Board.

Business Strategy

In early 2015 E20 appointed London Stadium 185 (LS185 – a Special Purpose Vehicle of Vinci Concessions) to operate the stadium. LS185 are responsible for the day to day running of the stadium – from securing events through to the full operation and maintenance of the stadium. The Operator Agreement with LS185 incentivises them to maximise stadium revenues, whilst working within the opportunity parameters established by E20. These parameters include fulfilling the commitments E20 has made to its two primary tenants, West Ham United Football Club and UK

Athletics. These commitments are enshrined in the West Ham Concession Agreement, and UKA Access Agreement, respectively.

In this context, E20 needs to be a small, efficient and intelligent stadium owner, working very effectively in partnership with its members, the stadium operator, and primary tenants. E20's role is to support its members, the operator and tenants in achieving success – and thereby secure the stadium legacy and return a surplus.

E20's medium to long term business strategy is to ensure a financially sustainable stadium that delivers a significant financial surplus to its members.

The E20 and LS185 business plans indicate that this strategy will take time to deliver, but that E20 is on track. It is vital that E20 does not become overly focused on addressing short term financial challenges, but builds a strong foundation for the longer term. E20's Members are providing funds and working capital to meet short term requirements, and to set E20 up for enduring success.

In the coming year, E20's focus will be on laying the foundations for a strong and sustainable future, including:

- Enabling the successful permanent handover of the stadium from the contractor Balfour Beatty, to the operator LS185.
- Supporting an effective and efficient LS185 mobilisation, and subsequent delivery of events.
- Ensuring that the stadium's new primary tenant, West Ham, have a successful start in their new home, establishing a basis for long term success.
- Delivering broader stadium benefits for local residents and the local economy.

3. Stadium Transformation

Overview

Since the London 2012 Olympic and Paralympic Games, a programme to transform the Olympic Stadium into a multi-use venue for football, athletics and other sporting events has been underway. The Stadium is on schedule to re-open permanently in summer 2016 (with temporary re-opening already having been achieved for major events such as the Rugby World Cup in 2015).

The publicly announced cost of the stadium transformation works is £272m. This is to be funded from the following sources:

- £40m: LB Newham
- £15m: West Ham United FC
- £38.7m: Games Public Sector Funding Package
- £1m: UK Athletics
- £3.5m: London Marathon Charitable Trust
- £25m: Government
- £148.8m: LLDC (2010 Spending Review settlement plus income generated on the Park through land sales and profits from venues). Unlike other contributions, this figure is not capped.

Transformation works

Construction works are being led by the Tier 1 contractor, Balfour Beatty. In January 2014, Balfour Beatty was awarded a contract to transform the Stadium, which included installing the largest single span cantilever roof in the world, constructing the warm-up track, spectator and hospitality facilities, and external landscaping.

All works necessary to host the 2015 summer events were completed on time – the Great Newham Run, Diamond League Athletics, Rugby World Cup games, a Rugby League International and the Race of Champions event were all successfully held. Works have now re-commenced and Stadium transformation is due to be completed on 27 May 2016.

Remaining works following handover back to the Tier 1 Contractor can be split into works inside and outside of the stadium. Inside stadium works include the fit-out of the new west stand hospitality area and board room, and installation of the away fan segregation areas. Within the bowl, works are underway to finalise the retractable seating and update the seats for the West Ham seating configuration. The Mondo track and pitch will also be relaid.

Works outside of the stadium during the final stage of construction include laying the community running track to the south of Stadium Island, and installing the Olympic Bell, the Bobby Moore statue and Champions Place.

Work to resolve issues relating to the stadium retractable seating remains underway. In September 2015 Alto Seating Systems Limited commenced Creditors' Voluntary Liquidation proceedings, leaving their joint venture partner Sapa solely responsible for completing the retractable seating works.

In order to better secure delivery of the retractable seating system in Athletics mode in time for the summer 2016 programme of events, **s.43**. In parallel with this agreement, a procurement process is now underway to appoint a seating transition contractor to transition the seating system throughout the summers of 2016 and 2017 with the option to novate to the Operator once the transition has been proved.

In the lead up to the May 2016 handover, Mace will be running a "T minus" handover process to count down the 12 weeks' to completion. Each week a meeting is chaired by Mace and is attended by Balfour Beatty, LLDC, E20 and LS185 to track progress against 21 Workstream Acceptance Certificates (WACs). Handover can only be signed off once all WACs have been 100% completed, including commissioning, training, collation of as-built drawings, and building licence sign off. LS185 is undertaking its mobilisation for 2016 in parallel to, and coordinated with, this process.

The table below outlines progress against the stadium transformation milestones.

Transformation milestones to completion

Milestone		
Capital		
	2015-16	2016-17
Tier 1 Removal of cranes from the Field Play	achieved	
Tier 1 KD6 Employer access to catering kitchens and catering concession spaces for Concessionaire Fit-Out works	achieved	
Tier 1 KD5 Completion of Field Play lighting, lighting controls 1st fix and 2nd fix	achieved	
Commence Installation Turf Grass for Diamond League	achieved	
Tier 1 Sectional Completion Section 2- Stadium Prior to Event 2	achieved	
Re-locatable Seating KD3- Ready for UKA Diamond League Athletics Meeting 2015	achieved	
Tier 1 Sectional Completion Section 3- Asset Protection & Maintenance	achieved	
Re-locatable Seating KD4- Ready for ER15 Rugby World Cup	achieved	
Tier 1 KD7 Employer access to remaining areas of the Stadium for Concessionaire Tenant Area Fit-Out works	achieved	
Tier 1 Sectional Completion Section 4- Completion of the remaining works		Q1
Tier 1 Sectional Completion Section 5- Community Athletics Track Completion		Q1
Stadium Transformation Complete		Q1

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.

E20 is balancing being able to meet its financial risks, with progressing a number of important projects. These include the stadium "wrap" and a number of "spend to save" projects that will help LS185 and E20 improve the financial position in future.

E20's latest assessment of the committed and potential calls on this budget is summarised in the table below (replicated in E20 Director Update to 30 March Board).

Status	Item	Best Case (£)	Likely Case (£)	Worst Case (£)	Notes
Provision for additional stadium works		14.286	14.286	14.286	
Allocated or spent	First phase MLB works	-0.742	-0.742	-0.742	Initial investment already spent to facilitate MLB and other sports
	Digital wrap design costs	-0.6	-0.6	-0.6	Sunk costs on previous wrap proposal
	Widening stadium gangways	-0.74	-0.74	-0.74	Investment already approved
	Access to CCTV	-0.04	-0.04	-0.04	Spend to save measure already approved
Uncommitted funding remaining		12.164	12.164	12.164	
Provisionally approved subject to Board sign-off	Hard FM Services for 2015 events	-0.673	-0.673	-0.673	E20 and LLDC Officers recommend this is allocated in full to E20
	IT Active Equipment / switches	-0.198	-0.316	-0.395	LLDC transformation have recommended that 80% of the £395k cost is attributed to E20
	Other unresolved costs with LLDC, subject to Board approval	-0.064	-0.114	-0.2	Track cover/artificial grass, TV studio, goalline technology
Funding remaining		11.229	11.061	10.896	
Items where E20 has limited discretion or control	Disputed costs with LS185	0	-2	-6	Dispute resolution procedure with LS185 ongoing
	2016-17 additional working capital requirement, including Naming Rights shortfall	-1.5	-1.74	-4	Business plan projects a £3.74m loss in 2016-17, compared to remaining working capital available of £2m
Funding remaining		9.729	7.321	0.896	
Discretionary items	s.43				
	Mid / upper tier LEDs	0	-0.3	-0.643	E20 and LLDC Officers agreed this would be for E20 to fund. Option over extent of LEDs (desirable rather than an obligation)
	Pitch side LEDs upgrade	0	0	-0.25	E20 may be required to fund upgrade of the size/extent of the LED boards, to satisfy West Ham and LS185 request
	Additional "spend to save" measures	0	-0.5	-1	Director paper requests additional £500k
	Second phase MLB works	0	-1.418	-2	LS185 to decide if recommend based on whether this is an attractive event compared to others
Funding remaining (negative figure denotes an overspend on £14.286m provision)		s.43			

As the likely case is beyond the provision for additional stadium works, E20 will need to carefully consider any future discretionary spends until a number of matters, including disputed costs with LS185¹, are resolved.

¹ See risks in chapter 12.

4. Community and Economic Benefits

The focus of this business plan is on managing the opportunities and challenges associated with financial performance of the Stadium in its first year of permanent operation.

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

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, Olympicopolis.

Local Community

- Almost 1000 local people have worked on the stadium transformation, and there is a commitment that 75% of employees will come from LB Newham once the stadium has opened. This delivers an impressive long-term employment legacy for the area.
- 100,000 Newham residents will be given the opportunity to watch Premier League Football every year. More than 500 locals witnessed the 2015 Rugby World Cup for free as part of the partnership with England Rugby 2015.
- 10 Community Event days available each year for local people to use the Stadium for celebratory events. For example, the Great Newham London Run is planning to give 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; a club with strong roots in the local community, as well as a strong record in the British League.
- The establishment of much-needed sports facilities at Newham Leisure Centre, the current home of the Newham and Essex Beagles.
- The redevelopment of West Ham United's Boleyn ground as 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 Legatum 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.
- The Stadium was part of overwhelming success of the 2015 Rugby World Cup, hosting five games in September and October. The Stadium has also hosted Formula 1 stars in the Race of Champions, and may host major US sports in the coming years.

5. Operator

Introduction

LS185's operations form a major element of the E20 business plan. LS185 have prepared their own business plan, which was approved by the E20 Finance & Audit Committee on 7 March 2016. The final version is annexed to this document, at annex A. The financial projections contained within the LS185 plan – notably the net commercial revenues paid to the grantor (E20) – are replicated within the E20 business plan.²

The LS185 business plan represents their first major update on their approach to operating the stadium, and the revenues they expect to generate, since their bid in late 2014. LS185 have now mobilised, their senior team is in place, and they have the experience of successfully operating the stadium for the 2015 events. As a result they are now in a better informed position to set out their plans for the future operation of the stadium.

Summary of LS185 business plan

The main proposals contained within the LS185 business plan are summarised as follows:

- LS185's stated mission is "to operate safely and efficiently, and to provide innovative stadium entertainment for local communities, national and international visitors, customers and stakeholders, and to handback the stadium in 25 years". It also "aims to deliver an annual surplus to E20, after an initial period of opening and mobilisation".
- LS185 are pursuing a varied programme of stadium events. Beyond the athletics and West Ham events already secured, this includes American sports, rugby league, other football matches (such as International friendlies), and – perhaps most significantly – concerts.
- LS185's preferred approach to the June events window each year is to host a combination of concerts and Major League Baseball. This remains subject to ongoing discussions with event promoters, and the timing constraints around the operation of the retractable seating system and event-specific overlay.
- After an initial period of increased event costs to ensure smooth and safe operations, their net position from hosting West Ham matches is set to reach a surplus of c.£650k per annum (including catering income).³ This does not include potential additional revenue from a possible increase in capacity for West Ham matches from 54,000 to 60,000. At the time of writing, commercial arrangements for this have not yet been agreed. It represents a significant opportunity for E20 and LS185 above and beyond their business plans. It is recognised as such in chapter 12.

² To note however that the LS185 projections are at 2015 prices, before taking account of any indexation (as set out on page 30 of the LS185 business plan). Inflation has been applied to these base figures in the E20 business plan.

³ There are other transactions directly between West Ham and E20 (not via the Operator). A full summary of West Ham income and costs is provided in chapter 11.

- LS185 will also operate some events in the South Park, such as the Shell Eco Marathon and Beach East, which will provide significant revenue streams. This is a limited opportunity as the sites are set to be developed from around 2018.
- Other significant income streams within the LS185 plan include marketing rights (notably pouring rights, technology and betting partners), catering income (in addition to that from West Ham matches captured above), stadium tours, conferences and banqueting, the operation of the South Park kiosks, and the potential sale of services to UK Athletics / London 2017.
- LS185 are implementing a detailed integrated plan to ensure that they are mobilised and ready for the handover of the stadium on 27 May 2016.
- LS185 are working with E20 to develop and implement a number of “spend to save” proposals – where limited up front capital investment by E20 can generate reduced operating costs, or enhance revenues, over the long term.

Operator Agreement Financial Model

LS185’s initial period of mobilisation, where one-off financial arrangements applied, is now largely complete. Relatively straightforward financial arrangements now apply.

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 “Operator fixed costs”). This amount is set in the operator agreement at £5.02m in 2016 (calendar year) and £5.79m in 2017 and subsequent years, growing with inflation. 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. 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.⁴

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 incentivise improved performance:

- LS185 will take a 5% operator share until net commercial revenues reach the operator fixed costs payment (grossed up to include 5% revenue share);
- Above this level a 20% operator share will apply to the next £900k net commercial revenue;
- A 30% operator share applies for any net commercial revenue generated over and above this level.

⁴ The LS185 business plan indicates that its “actual annual fixed costs” are forecast to exceed the “annual grantor contribution” by c£300k per year (see page 31 of LS185 business plan). This is a concern in the immediate term for LS185 rather than E20, given that E20’s liability is fixed. Nevertheless, if realised it is likely to have an indirect impact on E20 – perhaps via the operator’s risk appetite, level of ambition, or willingness to invest. This may already be playing out in LS185’s stance in relation to disputed costs with E20.

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.

LS185 Financial Projections

The LS185 business plan summarises the net position for E20 from the operator’s activities (referred to by LS185 as the “Net Grantor contribution”) as follows:

E20 Financial Year					
Period Start date	01/04/2016	01/04/2017	01/04/2018	01/04/2019	01/04/2020
Period End date	31/03/2017	31/03/2018	31/03/2019	31/03/2020	31/03/2021
E20 net contribution					
Grantor Net Commercial Revenue	2 507,8	5 805,5	6 311,0	6 323,7	6 336,6
Annual Grantor Contribution	(5 289,5)	(5 874,8)	(5 874,8)	(5 874,8)	(5 874,8)
Net Grantor contribution	(2 781,8)	(69,3)	436,3	449,0	461,8

(Copied from page 4 of the LS185 business plan. All figures in 2015 prices.)

It indicates that LS185 will deliver a substantial deficit to E20 in 2016-17, as a result of a limited events window, increased operating costs in start-up phase (in order to err on the side of caution in operating the stadium safely), and other income streams such as marketing rights not yet fully exploited. The net position from LS185 activities approaches parity for E20 in 2017-18, and then moves into surplus in 2018-19. This reflects strong growth as income streams become established and early inefficiencies in operations are reduced. The net payment to E20 each year from 2018-19 is shown to hold relatively steady at c.£450k (2015 prices).

However, LS185 have made the following commitment in their business plan:

“After these first years of operation, we fully expect our growing know-how and that our collective experience will allow us to take full advantage of all the assets of this unique stadium. That, plus our collaborative relationships with the event organisers, and various stakeholders and partners including West Ham, Westfield, UKA and other QEOP venues, should enable us to find additional innovative sources of commercial revenues together with costs savings to grow the net contribution year on year.” (LS185 business plan, pages 4-5.)

By way of comparison, the currently projected net payment to E20 each year in steady state of c.£450k is down on the equivalent figure presented in Vinci’s bid (c.£700-800k), and further down on E20’s own expectations in the last version (June 2015) of the E20 business plan (c.£1.1-1.2m).

LS185’s work to deliver their latest business plan projections is underway and ongoing. The main challenge will be in securing sufficient, highly profitable, events in order to meet the net commercial revenue targets. This is in the context of a limited events window, and ongoing challenges around the operation of the retractable seating system.

LS185’s assumed level of conversion – from expressions of interest from event promoters, through to secured, profitable events – could be considered quite high for a new stadium. There is therefore

a risk that LS185 may fall short of its revenue projections. There is also of course the possibility that opportunities emerge that will enable them to exceed their plan. This is modelled in a simple sensitivity analysis below:

Typical “steady state” year	Net Commercial revenues paid to E20 (2015 prices)	Total net payment to/(from) E20 after fixed costs (2015 prices)
LS185 business plan forecast	c.£6.3m	c.£0.45m
20% reduction on revenues forecast in LS185 business plan	c.£5m	(c.£0.85m)
20% increase on revenues forecast in LS185 business plan	c.£7.6m	c.£1.75m

It is apparent that a 20% reduction in revenues secured by LS185 compared to their business plan, would mean that E20 would pay more in fixed costs than it would receive back in net commercial revenues (i.e. a deficit for E20 on the annual transaction).

Conversely, a 20% improvement on LS185 revenues would see LS185 exceed its bid projections and deliver a healthy financial surplus to E20. The most prominent opportunity not included in the LS185 business plan is the extra revenue from increasing the West Ham capacity to 60,000. Approval for this increase appears likely, and West Ham have very strong demand that could easily meet the extra supply of tickets.

This analysis is provided as background – it is not incorporated within the E20 business plan figures, although it is included in chapter 12 on risks and opportunities.

Financial Summary

The summary below is as per the LS185 business plan, with inflation applied at 3% per annum.

£000s	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	10 year total
Operator (LS185)											
Fixed costs	-5449	-6233	-6420	-6612	-6811						
Net Commercial Revenues	2583	6159	6896	7118	7346						
Total LS185	-2865	-74	476	505	536						

s.43

6. Naming Rights

Approach

E20 is currently working to secure a naming rights partner for the stadium. 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 a consultant to act on E20's behalf as the client, and an agency (ESP Global) to target, source and select the naming rights partner.

Income

S.43

Partner Activation

S.43

Fees

S.43



Financial Summary

S.43

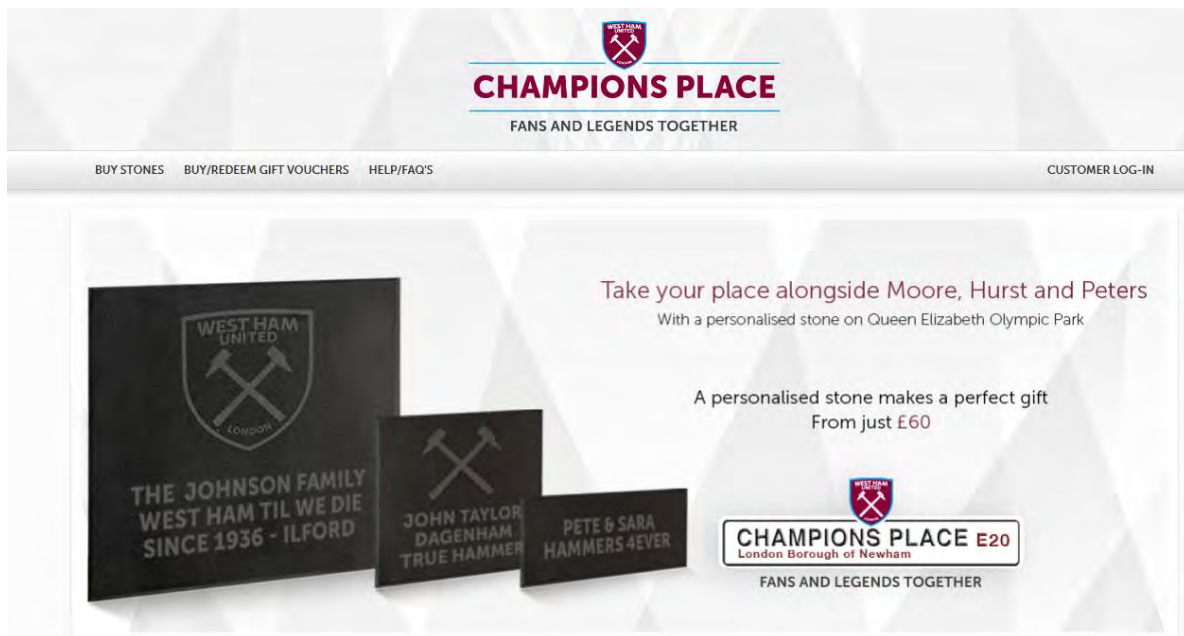
7. Other Operating Income and Costs

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

Fanstallation

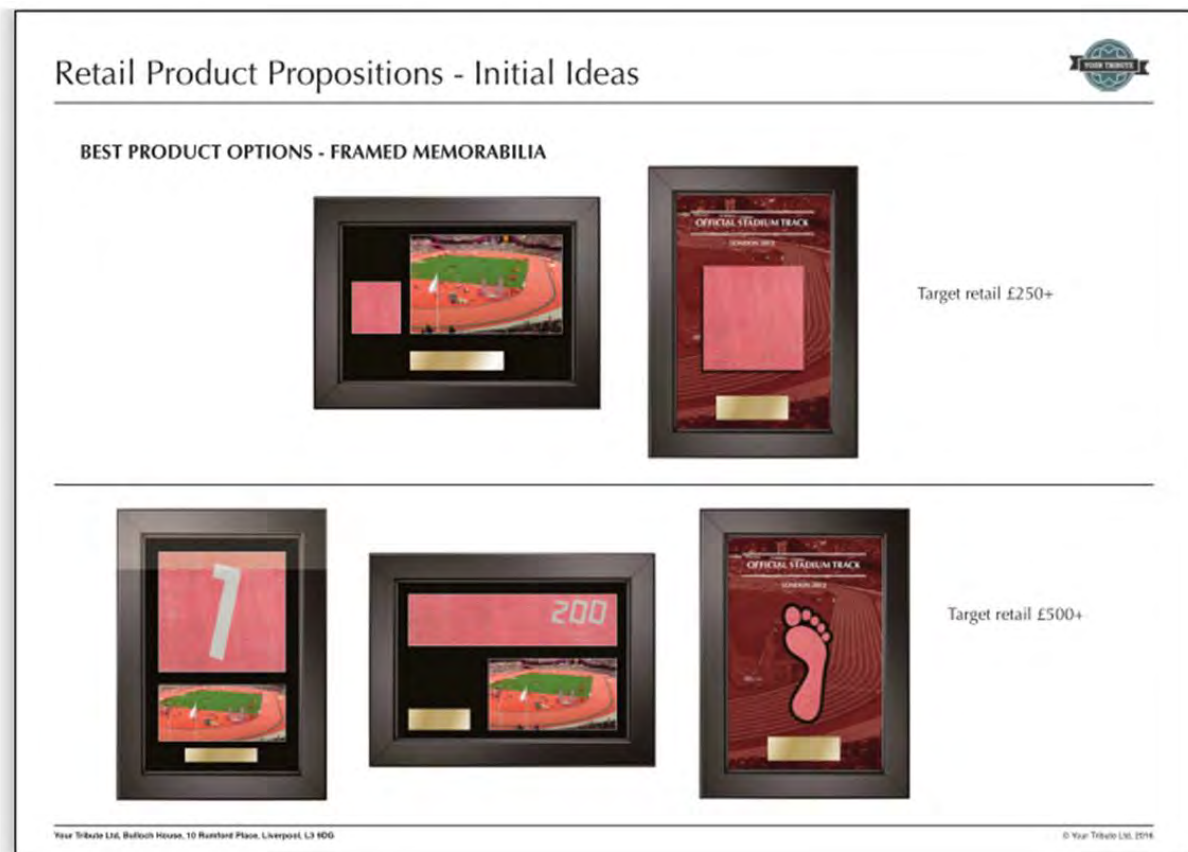
The fanstallation will be an area of personalised paving stones in the Champions Place landscaped area to the north of the stadium. West Ham United are selling stones to their fans – they expect to sell around 16,000, at an average retail price of £100. E20 understands that around 10,000 have already been sold. A commercial arrangement between E20 and West Ham, which will be necessary for West Ham to be granted access to the site, has yet to be concluded. E20 have proposed an equal share of profits between E20 and West Ham, a payment per stone to E20, or a one-off or recurring payment broadly equivalent in value. Whilst discussions continue with West Ham on commercial arrangements, this business plan assumes one-off income to E20 of £200k in 2016-17.

It is within the scope of LS185 to pursue a similar project for a 2012/athletics themed fanstallation, with planning permission granted for up to 10,000 stones. This has not yet been a priority for LS185, who are sceptical of its commercial viability – it is not included in their business plan, so no income is assumed.



Asset Disposal

E20 has agreed in principle commercial arrangements with a company (Your Tribute – the same partner as for the fanstallation project) to turn the former stadium track (used for the 2012 Games, but now pulled up) into commemorative items for sale. This is a deviation from the original plan to dispose of the track as part of the transformation works, which involved paying for disposal at a recycling facility. Once minor set-up costs for first E20 and then Your Tribute have been recovered, a 50-50 profit share arrangement will apply. At this early stage in the project it is difficult to accurately assess the likely demand for the product, or the retail price that will be achieved. The Your Tribute proposal document (February 2016) assumes the sale of 13,000 units at an average retail price of £100.⁵ On this basis gross sales would be £1.3m. Processing costs (still being assessed) must then be deducted, and then 50% of the net profit would flow to E20. In light of the high degree of uncertainty remaining in the project, a cautious net income to E20 of £100k is assumed in this business plan.



E20 does not have responsibility for the disposal of any other items.

⁵ The project is quite unique so difficult to assess, but Your Tribute regard this as realistic when benchmarked against comparable projects with football clubs (e.g. 20,000 commemorative engraved stones sold at the Emirates Stadium at £100 each). The long jump runway from the Atlanta 1996 Games sold as one complete item for \$125,000.

Net income from the wrap

This business plan assumes E20 install a big screen and fabric wrap to the exterior of the stadium. E20 has made a planning application, and is continuing to develop the design and procurement in partnership with West Ham and LS185. E20 will secure a substantial contribution from West Ham in return for their prominence on the fabric wrap, and rights to use the digital screen.

E20 is also confirming the approach to maintenance and lifecycle, and the content strategy for the big screen. On current expectations, the naming rights partner and West Ham United will be granted considerable time on the screen, particularly on West Ham match days. No income stream is assumed from these sources (beyond the base Naming Rights deal, and West Ham's capital contribution to the wrap).

There is also likely to be the opportunity for secondary stadium sponsors and event promoters to advertise on the big screen. Pending further analysis of the revenue opportunity, and the running costs of the wrap, this business plan assumes that the wrap generates net operating income of £100k per annum (i.e. that the advertising income from selling content to secondary sponsors and event promoters exceeds the maintenance and running costs by £100k). This assumption is subject to further analysis as the business case for the big screen and fabric wrap is developed.

To note that under the previous proposal for a full digital wrap, net operating income of £500k per annum was assumed. Three key factors were instrumental in not proceeding with this option:

- The affordability of the £12m capital cost from the £14.286m discretionary funds available to E20;
- Annual income per annum was not proven to meet NLI's 10 year positive Net Present Value test;
- Concerns over the performance of the digital wrap in daylight conditions.

UK Athletics' contribution to the track

Under the terms of the Access Agreement, UKA will pay E20 an annual contribution of £35k towards the upkeep of the track.

West Ham performance payments

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). At the time of writing, West Ham currently occupy 6th position in the Premier League – putting them on track to qualify for the Europa League – and they have reached the latter stages of the FA Cup. The business plan assumes a similar level of performance in the future, but allows for inconsistency in performance due to the highly competitive and unpredictable nature of English football. The plan assumes a 6th place finish for West Ham – and therefore Europa League qualification – every other year, starting with the 2016-17 season (but paid in the 2017-18 financial year). This would equate to a performance payment of

£185k each year this is achieved. In the alternate year, it is assumed West Ham finish lower than 10th, and no performance payment is due. No cup wins are assumed in any year.

West Ham's usage fee to E20 would reduce from £2.5m per annum to £1.25m per annum for any season spent outside the top division. Again based on recent performances, it is assumed that West Ham remain in the Premier League.⁶

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 s.43. On this basis, E20 would be due to pay West Ham s.43.

Retractable seating movement

LS185 are due to take on responsibility for retractable seating moves once an operable system has been successfully demonstrated as part of the stadium transformation works. Based on current expectations, this is likely to be the end of summer 2017. Therefore, the business plan assumes that the first retractable seating move undertaken by LS185 will be in summer 2018 (i.e. 2018-19 financial year). However, this could be a year earlier if the seating moves are fully and successfully demonstrated in summer 2016.

Under the terms of the Operator Agreement, E20 must meet LS185's costs to move the seating once into athletics mode, and once out of athletics mode, per year. This is in addition to the fixed costs that E20 pay LS185. The retractable seating costs are not capped – E20 and LS185 (each acting reasonably) are required to agree the cost each year. E20 has previously assumed that this will cost s.43. This figure is subject to change as arrangements for the retractable seating are progressed under the transformation works. At this point in time there is no more reliable estimate than the s.43 previously assumed. Any further seat moves in the year (beyond the once in, once out) would be incurred by LS185 and be classed as event costs. This would therefore impact the net commercial revenues paid to E20 – the effect here being that LS185 would only do further seating moves in the year if the event fee justified it.

Although responsibility for the retractable seating moves is expected to remain within the transformation works in 2016-17 and 2017-18, E20 and LLDC have provisionally agreed that E20 should also contribute a fixed s.43 towards the seat moves in each of these years. This is in recognition that the seat moves will enable the stadium to host a series of events – although

⁶ Interestingly, West Ham has just entered (for the first time) the "top 20" of the richest clubs in the world, as assessed by the London School of Marketing – and partly in anticipation of their imminent move to the stadium. Although football is an unpredictable business, with finances no guarantee of on pitch success, West Ham's enhanced status offers further confidence of strong performance.

ongoing challenges with the retractable seating may limit the extent to which the summer event windows can be fully exploited in these early years.

Financial Summary

£000s	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	10 year total
Other operating income and costs											
Fanstallation	200	0	0	0	0						
Asset disposal	100	0	0	0	0						
Net income from the wrap	100	103	106	109	113						
UKA contribution to track	35	36	37	38	39						
West Ham performance payments	0	191	0	202	0						
West Ham share of catering revenues	-39	-40	-41	-43	-44						
Retractable seating movement	-300	-309	-318	-328	-338						
Total Other operating income and costs	96	-20	-216	-21	-230						

S.43

8. Staffing

E20 has established a new staffing structure in order to meet the resource requirements in 2016-17, and beyond. 2016 is expected to be a demanding period for E20, particularly in the lead up to, and early months of, West Ham's concession. Resource requirements are expected to reduce in 2017, although E20 may not reach something akin to a "steady state" until after the London 2017 Championships.

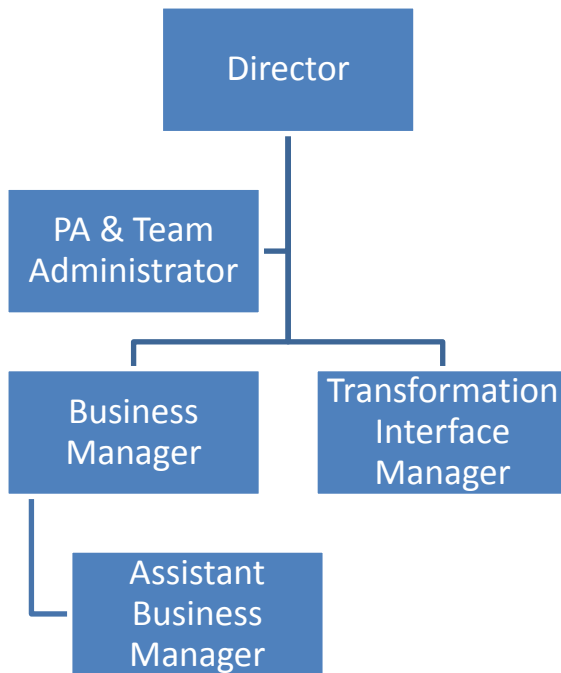
The E20 team comprises:

- A Director, with overall responsibility for E20 Stadium LLP. This is a permanent position.
- A Business Manager, who leads on financial strategy, governance, contract management and certain projects. This is currently assumed as a permanent position.
- An Assistant Business Manager, who supports the Business Manager on certain projects and contract management. This role is filled on a fixed term basis, expiring in February 2017.
- A Transformation Interface Manager, 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, who provides administrative support plus the Board secretariat function. This role is filled on a permanent basis, with the new post-holder starting in April 2016.

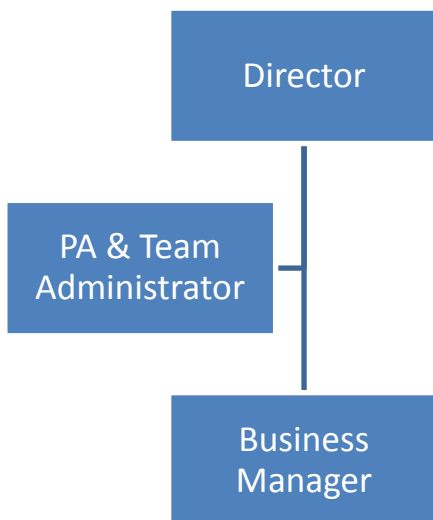
E20 also has a naming rights consultant, although this is an advisory role. The initial retainer is now over, and the consultant is working based on the success fee for securing a deal.

The E20 staffing structure is summarised in 2016, and beyond, in the organisation charts below. The full E20 governance structure is shown in chapter 13.

Structure in 2016



Structure from 2017 and beyond



The business plan reflects these staffing structures and the salaries agreed.

“On costs” are assumed at 20% of salaries. This comprises 13.8% National Insurance and an assumed c.6% employer pension contribution. E20 does not currently have a pension scheme in place, but expects to do so with the employer contribution at approximately this level (i.e. significantly less generous than typical local authority schemes, reflecting the more commercial nature of E20 as an

organisation).⁷ E20's policy on remuneration takes account of the need to be competitive in light of these pension arrangements.

The business plan also provides a £20k staffing contingency for 2016-17, to be used in the event that additional or extended resourcing requirements are necessary to meet demands. This is prudent given uncertainty over the level of resourcing necessary around the start of West Ham's concession, and the upcoming London 2017 Championships.

Overall staffing costs are c.10% lower than forecast in the previous (2015) business plan for the 2016-17 and 2017-18 financial years. The latest forecasts are slightly higher in subsequent years, mainly due to inflation now assumed consistently across the business plan at 3% per annum (as opposed to 1% annual salary growth previously assumed).

Financial Summary

£000s	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	10 year total
Staffing											
Director	-132	-136	-140	-144	-149	-153	-158	-162	-167	-172	-1513
Business Manager	-82	-84	-87	-89	-92	-95	-97	-100	-103	-106	-935
Assistant Business Manager	-49	0	0	0	0	0	0	0	0	0	-49
PA & Team Administrator	-36	-37	-38	-39	-41	-42	-43	-44	-46	-47	-413
Transformation Interface Manager	-15	0	0	0	0	0	0	0	0	0	-15
Contingency	-20	0	0	0	0	0	0	0	0	0	-20
Staff expenses	-5	-5	-5	-5	-6	-6	-6	-6	-6	-7	-57
Total Staffing	-339	-262	-270	-278	-287	-295	-304	-313	-322	-332	-3003

⁷ A paper will go to the E20 Board for consideration at its 20 April meeting for a decision on the level of employer pension contribution.

9. Overheads

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 – covered in chapter 3. 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 2016-17 is estimated to be £80k (an increase from £70k in 2015-16 in recognition of the extent of the service provided). 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. E20 paid £15k for the HR service in 2015-16, but now that E20 is fully staffed the service necessary in the coming years is expected to be much reduced. A fee of £5k per annum is assumed for HR services. Facilities costs were not recharged in 2015-16; the charge for 2016-17 on a per desk basis for an average of four staff members is £23.6k. Total HR and facilities charges for 2016-17 are therefore £28.6k.
- 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 £15k. Non-standard equipment or software requirements are chargeable on a pass through cost basis.

The total forecast cost of LLDC member services for 2016-17 therefore stands at £123.6k. This figure is subject to inflation, and annual review by the LLDC Executive Director of Finance and Corporate Services and E20 Business Manager.

Estate Charges

From June 2016, the estate charge set by LLDC is a contractual obligation and is c.£300k per annum. However, it will be partially offset by an estate charge payable to E20 from the Legatum Academy (to be developed on the stadium island), assumed to grow to from c.£60k up to c.£140k per annum.

Business Rates

The business rates payable by E20 are determined by the rateable value of the stadium, as set by the Valuation Office Agency. The rates are collected by LB Newham. As things stand, E20 is paying a

limited level of business rates through to June 2016, and forecast rates of £2m per annum from then onwards. E20 has appointed specialist advisers GeraldEve to act on its behalf to seek to secure an improvement on these arrangements. E20 has instructed Gerald Eve to:

- Secure agreement from the VOA to remove the requirement on E20 to pay business rates between 22 November 2015 and 3 June 2016, on the basis that the stadium is a construction site during this period and not capable of hosting events. If achieved, the rates already billed and paid during this period will be recovered from LB Newham. GeraldEve are cautiously confident of securing this concession from the VOA. It would save E20 around £300k – this saving is assumed in this (and the previous) E20 business plan.
- Seek to reduce the level of rates payable by E20 from June 2016 onwards. This is currently estimated at £2m per annum, based on a rateable value for the stadium of £4m (as provisionally set by the VOA). The VOA recently visited the stadium to assess whether this is a reasonable rateable value when benchmarked against other stadia. They have advised that the finalised rateable value should to some extent be informed by the revenue projections for the stadium. E20 and GeraldEve will be confidentially briefing the VOA in April, with the aim of securing a reduction in the rateable value and therefore the level of rates payable.⁸ This business plan assumes that the rateable value is reduced to £3.6m, and that rates payable will therefore be £1.8m.
- Advise E20 on the likely impact of the nationwide revaluation of business rates due to take place in 2017, and the likely business rates E20 should expect to pay from 2017-18 as a result of this. This business plan assumes no significant impact on E20 as a result of this revaluation exercise (i.e. that rates payable will just rise with inflation).

Insurance

E20 is in the process of putting in place the insurance cover it will need to hold once the transformation works are complete and the stadium is handed over. This includes:

- Property insurance, which E20 retains responsibility for under the terms of the Operator Agreement. A reinstatement valuation will be undertaken to ascertain the reinstatement figure to be insured against (which in the meantime is assumed at **£5.43m**);
- Public Liability insurance, as E20 has not passed on all potential liability arising from its operations to LS185 and West Ham;
- Directors' and Officers' cover;
- Employers' liability cover;
- Personal accident and travel cover; and
- Crime cover.

Forecast insurance costs are summarised in the table below (as previously shown in the January 2016 Board paper):

⁸ The effect is a slightly circular argument. The E20 Business Plan dictates the business rates payable, which in turn forms a major overhead in the business plan!

Insurance Cover / Fees	Forecast 2016-17 Premiums (following expiration of Stadium Transformation policies in August 2016)	Forecast annual steady state Premiums (2017-18 onwards)	Comments
Property	S.43		
Public Liability			
Other policies (Directors & , Employers Liability, Personal Accident/Travel, Crime)			
Reinstatement valuation			
Broker fees			
E20 Insurance Adviser fees			
Contingency			
Total			

E20 is continuing to review insurance requirements and premiums, via its Tfl shared services Insurance Adviser. This includes reviewing the most cost effective means of holding adequate cover (for instance whether significant economies of scale could be achieved if E20 instead used existing LLDC or LB Newham cover). As this work is not yet concluded, this business plan assumes insurance costs as indicated to the Board in January, and detailed in the table above.

Brand and marketing

E20, LLDC, Newham, LS185 and West Ham are collaborating to achieve a consistent and successful brand for the stadium. This is expected to deliver reputational and financial benefits for the stadium as set out on page 23 of the LS185 business plan. E20 and LS185 are in the process of appointing a brand and marketing agency to lead this work. This is to be jointly funded, with E20 contributing a maximum of £40k. This budget is rolled over from 2015-16, when it was unspent.

Professional Advice

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

- Legal advice, assumed at **s.43** [REDACTED]. This will be a tight budget given the extent of legal advice E20 has required in the past. E20 may procure its own legal advisers during the course of 2016 (to potentially replace the existing service provided by TfL Legal via LLDC).
- Accounting advice, assumed at £50k in 2016-17, and £30k per annum thereafter. 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.
- External Audit fees for EY. Their fee estimate for the audit of the 2015-16 accounts is £26k (incurred during 2016-17). The business plan assumes that this fee is reduced to £20k from the following year, once the stadium is in more of a steady state and there are very few transactions to audit (as discussed at the E20 Finance & Audit Committee meeting on 7 March).
- Transport advice. E20's transport consultants, Momentum, will shortly conclude their work to discharge the stadium planning conditions with respect to transport and crowdfow, with the final tranche of costs estimated at £34k in early 2016-17. In addition, E20 are then required to submit ongoing monitoring reports to the Planning Authority for the next three years. This business plan makes provision for this at £100k in 2016-17, and £60k in each of the following two years. This is based on 50% of the indicative quotes provided by Momentum, as it is assumed that the full monitoring requirements can be negotiated down, or other cost efficiencies achieved. The business plan also assumes that the stadium achieves the modal share stipulated in the Planning permission (i.e. the proportion of public transport users as opposed to car users) and therefore avoids substantial fees payable to the Planning Authority in the event of failure.
- Technical advice, assumed at £50k in 2016-17, and nothing thereafter. This is to cover advice on potential stadium enhancements – for instance in the past year E20 commissioned work on the technical feasibility of an additional hospitality area in the East stand. No provision is made beyond 2016-17 as it is anticipated that any such technical advice should by then be taken forward by the Operator.
- Lifecycle review, assumed as a one-off cost of £50k in 2016-17. E20 will need to appoint a cost consultant to provide an updated assessment of lifecycle requirements for the stadium, using the "as built" stadium specification. This work is discussed further in chapter 10.

Event tickets

E20 has only limited access to free tickets for stadium events, as summarised in the paper to the 30 March E20 Board. It is anticipated that E20 and its members will wish to acquire tickets in order to host guests to promote the stadium and wider Park/Borough. E20 has rights to purchase up to 30 Club London seats for West Ham matches, at a cost of £2016 per seat, per season. Subject to the decision by the Board, this business plan assumes these seats are purchased in full (at a cost of £60k

per season), with an additional allowance of £10k per year to purchase tickets for other stadium events.

Financial Summary

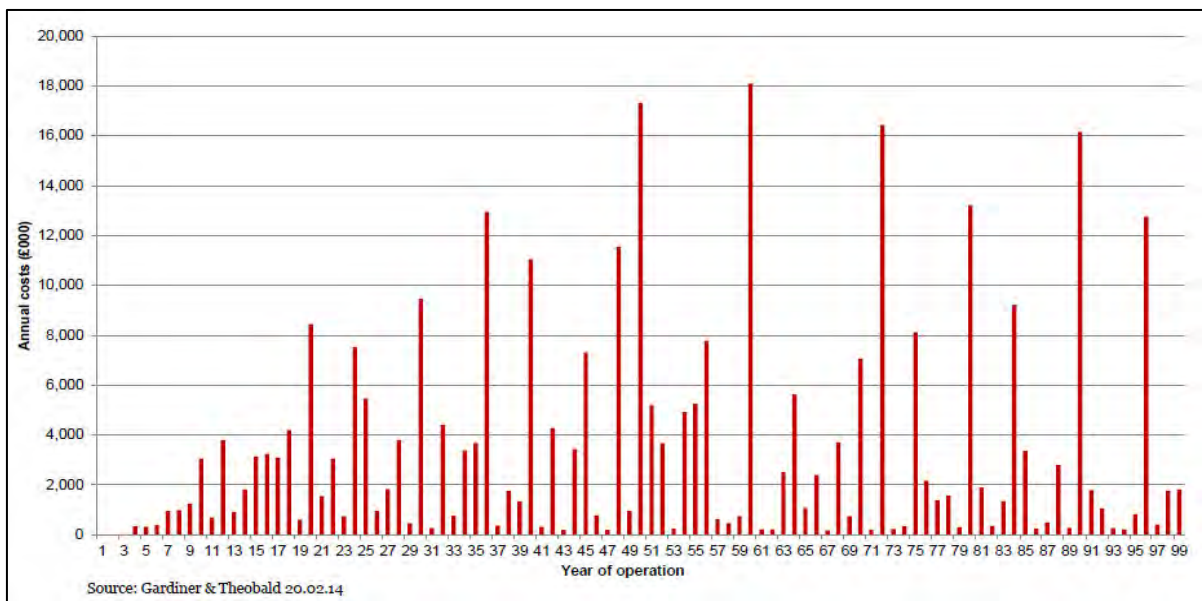
£000s	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	10 year total
Overheads											
LLDC Member Services	-124	-127	-131	-135	-139	-143	-148	-152	-157	-161	-1417
Estate charge payable to LLDC	-252	-303	-305	-308	-311	-314	-317	-319	-322	-325	-3076
Estate charge payable by school to E20	0	61	101	121	131	141	143	144	145	146	1133
Business rates	-1500	-1854	-1910	-1967	-2026	-2087	-2149	-2214	-2280	-2349	-20335
Insurance	s.43										
Brand and marketing	-40	0	0	0	0	0	0	0	0	0	-40
Legal advice	-80	-52	-53	-55	-56	-58	-60	-61	-63	-65	-603
Accounting advice	-50	-30	-31	-32	-33	-34	-35	-36	-37	-38	-355
External audit fees	-26	-20	-21	-21	-22	-23	-23	-24	-25	-25	-229
Transport advice	-134	-60	-60	0	0	0	0	0	0	0	-254
Technical advice	-50	0	0	0	0	0	0	0	0	0	-50
Lifecycle review	-50	0	0	0	0	0	0	0	0	0	-50
Event tickets	-70	-72	-74	-76	-79	-81	-84	-86	-89	-91	-802
Total Overheads	s.43										

10. Depreciation and Lifecycle

Under the terms of the Members’ Agreement, in any given year the lifecycle fund (tier 3 distribution) only receives contributions after the tier 1 allocations have been met (£2m indexed to NLI and £0.97m to LLDC), and the loan buffer fund (tier 2) has received the next £1.45m of surplus. Using current business plan assumptions, there is no contribution to the lifecycle fund as stipulated in the Members’ Agreement; and there is no other indication in the Members’ Agreement of how lifecycle costs are to be funded.

A Gardiner & Theobald report (February 2014) detailed lifecycle cost summaries for the Stadium, including cost projections for the main stadium, furniture, fittings and equipment and the community track over a 25 year period and over the full 99 year lease.

Lifecycle costs: forecast profile over 99 years



The report forecast that s.43 would be likely to be required for lifecycle replacement over the 10 year business plan period, with the first investment anticipated in year 3.

The Stadium Plus Operator Agreement states that LS185 is responsible for any lifecycle activity if the cost of carrying it out is no greater than £10k. E20 is responsible for the full cost of an activity (including the portion of those costs up to the lifecycle threshold) if the costs are greater than £10k. This is an issue that will need to be controlled closely to ensure that the operator is paying its fair share and has an incentive to invest in maintenance for the long term.

LS185 must submit an annual draft Lifecycle Replacement Plan for agreement with E20 each year. The Plan will include: (a) the lifecycle elements scheduled to be replaced in the relevant year; (b) an estimate of the cost of carrying out each of the activities; and (c) the party responsible.

To account for E20's portion of lifecycle expenditure, the business plan currently shows depreciation of £2.4m over the 10 years; however a lifecycle fund will still need to be built up to pay for anticipated expenditure of up to **s.43** as per the G&T report (for single items over **s.43** and repairs that are not covered under warranty). Depreciation of lifecycle investment reflected in the plan is based on a five year useful life for lifecycle replacement costs within the first five years, and a ten year useful life thereafter.

In order to meet future lifecycle obligations, members identified the potential for income from land that E20 can develop on the Stadium site to be used for this purpose. An early step towards achieving this is the soon to be finalised deal for the Legatum school development on the Stadium island site. This will release LLDC and LBN from an obligation to develop a school on the nearby Rick Roberts Way site, in return for a top slice of at least £5m of the receipt for E20 from the Rick Roberts Way development receipt, agreed in principle. This is not yet reflected in the current E20 business plan, as E20 as agreed to ring fence the funds, when received, to help meet its lifecycle obligations.

There is provision in the 2016-17 budget for further technical work to assess the likely profile and level of lifecycle costs over the Stadium lifetime (see professional advice section in chapter 9). This work is likely to be undertaken in summer/autumn 2016 once stadium transformation is complete and lifecycle requirements can be assessed on an "as built" basis.

Financial Summary

£000s	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	10 year total
E20 net position before depreciation	-3732	689	1113	1448	1311	s.43					
Depreciation (lifecycle investment)	0	0	-50	-100	-100						
E20 net position after depreciation	-3732	689	1063	1348	1211						

11. Full Financial Summary

2016-17 Budget

£000s	Q1 2016-17	Q2 2016-17	Q3 2016-17	Q4 2016-17	2016-17
Operator (LS185)					
Fixed costs	-1312	-1312	-1312	-1513	-5449
Net Commercial Revenues	0	0	0	2583	2583
Total LS185	-1312	-1312	-1312	1070	-2865
Naming Rights					
s.43					
Other operating income and costs					
Fanstallation	200	0	0	0	200
Asset disposal	0	33	33	33	100
Net income from the wrap	0	0	50	50	100
UKA contribution to track	0	0	0	35	35
West Ham performance payments	0	0	0	0	0
West Ham share of catering revenues	s.43				
Retractable seating movement	0	-300	0	0	-300
Total Other operating income and costs	s.40				
Staffing					
Director	-33	-33	-33	-33	-132
Business Manager	-20	-20	-20	-20	-82
Assistant Business Manager	-14	-14	-14	-7	-49
PA & Team Administrator	-9	-9	-9	-9	-36
Transformation Interface Manager	-8	-8	0	0	-15
Contingency	0	0	-10	-10	-20
Staff expenses	-1	-1	-1	-1	-5
Total Staffing	-85	-85	-88	-81	-339
Overheads					
LLDC Member Services	-31	-31	-31	-31	-124
Estate charge payable to LLDC	0	0	-252	0	-252
Estate charge payable by school to E20	0	0	0	0	0
Business rates	-150	-450	-450	-450	-1500
Insurance	s.43				
Brand and marketing	-40	0	0	0	-40
Legal advice	-20	-20	-20	-20	-80
Accounting advice	-13	-13	-13	-13	-50
External audit fees	0	-26	0	0	-26
Transport advice	-34	-34	-34	-34	-134
Technical advice	-13	-13	-13	-13	-50
Lifecycle review	0	0	-50	0	-50
Event tickets	-18	-18	-18	-18	-70
Total Overheads	s.43				
E20 net position before depreciation					
Depreciation (lifecycle investment)					
E20 net position after depreciation					

All budget lines above are discussed in detail throughout chapters 5-10 of this business plan. A separate summary of payments to/from West Ham is provided later in this chapter.

10 Year Business Plan Income and Expenditure Projections

To note that inflation is assumed at 3% per annum on all figures, except where otherwise stated in this business plan. This is based on average annual RPI growth 2006-2015 (Office for National Statistics, 2016).

£000s	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	10 year total
Operator (LS185)											
Fixed costs	-5449	-6233	-6420	-6612	-6811						
Net Commercial Revenues	2583	6159	6896	7118	7346						
Total LS185	-2865	-74	476	505	536						
Naming Rights											
Other operating income and costs											
Fanstation	200	0	0	0	0						
Asset disposal	100	0	0	0	0						
Net income from the wrap	100	103	106	109	113						
UKA contribution to track	35	36	37	38	39						
West Ham performance payments	0	191	0	202	0						
West Ham share of catering revenues	s.43										
Retractable seating movement	-300	-309	-318	-328	-338						
Total Other operating income and costs	s.43										
Staffing											
Director	-132	-136	-140	-144	-149	-153	-158	-162	-167	-172	-1513
Business Manager	-82	-84	-87	-89	-92	-95	-97	-100	-103	-106	-935
Assistant Business Manager	-49	0	0	0	0	0	0	0	0	0	-49
PA & Team Administrator	-36	-37	-38	-39	-41	-42	-43	-44	-46	-47	-413
Transformation Interface Manager	-15	0	0	0	0	0	0	0	0	0	-15
Contingency	-20	0	0	0	0	0	0	0	0	0	-20
Staff expenses	-5	-5	-5	-5	-6	-6	-6	-6	-6	-7	-57
Total Staffing	-339	-262	-270	-278	-287	-295	-304	-313	-322	-332	-3003
Overheads											
LLDC Member Services	-124	-127	-131	-135	-139	-143	-148	-152	-157	-161	-1417
Estate charge payable to LLDC	-252	-303	-305	-308	-311	-314	-317	-319	-322	-325	-3076
Estate charge payable by school to E20	0	61	101	121	131	141	143	144	145	146	1133
Business rates	-1500	-1854	-1910	-1967	-2026	-2087	-2149	-2214	-2280	-2349	-20335
Insurance	s.43										
Brand and marketing	-40	0	0	0	0	0	0	0	0	0	-40
Legal advice	-80	-52	-53	-55	-56	-58	-60	-61	-63	-65	-603
Accounting advice	-50	-30	-31	-32	-33	-34	-35	-36	-37	-38	-355
External audit fees	-26	-20	-21	-21	-22	-23	-23	-24	-25	-25	-229
Transport advice	-134	-60	-60	0	0	0	0	0	0	0	-254
Technical advice	-50	0	0	0	0	0	0	0	0	0	-50
Lifecycle review	-50	0	0	0	0	0	0	0	0	0	-50
Event tickets	-70	-72	-74	-76	-79	-81	-84	-86	-89	-91	-802
Total Overheads	s.43										
E20 net position before depreciation											
Depreciation (lifecycle investment)	s.43										
E20 net position after depreciation											

All budget lines above are discussed in detail throughout chapters 5-10 of this business plan. A separate summary of payments to/from West Ham is provided overleaf.

Working Capital Requirement

E20's members have agreed funding to meet working capital needs arising from any cash flow deficit before 31 March 2018. Contributions are limited to £6m (£3.9m from LLDC and £2.1m from NLI). As at 31 December 2015, E20 was projecting to use £4.004m of this working capital in 2015-16.⁹ Therefore, a forecast balance of c.£2m remains available for E20's future working capital needs.

E20's working capital requirement, based on the financial projections contained within this business plan, is summarised below.

	(£000s)		
Working capital allowance	6000		
Time period	Forecast cashflow in period (£000s)	Cumulative working capital requirement (£000s)	Cumulative working capital shortfall (£000s)
Forecast draw down in 2015-16	-4004	-4004	No shortfall
Q1 2016-17	-1554	-5558	No shortfall
Q2 2016-17	-2807	-8365	-2365
Q3 2016-17	-945	-9310	-3310
Q4 2016-17	1575	-7736	-1736
2017-18	689	-7047	-1047
2018-19	1063	-5984	No shortfall

This demonstrates that E20's existing working capital allowance is forecast to be insufficient. E20 is forecast to breach its £6m working capital allowance in Q2 2016-17. The cumulative working capital required is forecast to peak in Q3 2016-17 at £9.31m (£3.31m more than E20's existing allowance). The position improves from that point, as E20 begins to generate a surplus. Cumulative working capital is forecast to fall to £7.74m by the end of 2016-17 (£1.74m more than E20's existing allowance), and to drop below £6m again in 2018-19.

E20 and its members (and funders) will need to consider necessary measures in order for E20 to have access to sufficient working capital during its early years of operation. One option is the reallocation of some of the £14.286m for additional stadium works, to cover the working capital requirement. This is shown as a potential use of this funding in chapter 3.

⁹ See Q3 Financial Update to E20 Finance & Audit Committee on 7 March 2016.

Summary of payments to/from West Ham United

There are several transactions with West Ham United contained within and outside this business plan. These are summarised below. Prices are the base figures largely derived from either the Concession Agreement or the LS185 business plan. Inflation would apply to all annual payments.

E20 income / expenditure from West Ham concession	2016/17 Payment from / (to) West Ham (£'000s)	Notes
One-off usage fee	15,000	Contribution towards transformation works, payable at the start of the concession. Capital funding, therefore not within E20 business plan income and expenditure projections. Payable at the start of West Ham's concession.
One-off WHU contribution to the stadium wrap	1,045 - 1,200	West Ham contribution, and the rights to screen content and banner branding that it gives them, is subject to final agreement. Capital funding, therefore not within E20 business plan income and expenditure projections.
Annual usage fee	2,500	50% reduction applies for any season West Ham are outside the Premier League.
Annual estimated catering income from West Ham matches	s.43	LS185 business plan estimate.
Annual estimated West Ham share of catering revenues	s.43	West Ham are due 30% of the annual catering revenues from West Ham games above £500k. Estimate assumes s.43 annual catering revenues as above.
Annual estimated operating costs for West Ham games	(3,300), s.43	LS185 business plan estimate, assuming starting point of 23 matches per season, with operating costs of £144k per match. LS185 forecast to deliver £800k efficiency savings by 2018-19 (see page 29 of LS185 business plan).
Annual estimated West Ham performance payments	93	Different levels of performance trigger difference payments. Estimate assumes 6 th place finish for West Ham – and therefore Europa League qualification – every other year (with no performance payment in the intervening year). This would be worth £185k to E20 in the year it is achieved – or an average of £93k per annum over two years.
Annual estimated share of naming rights income due to West Ham	s.43	s.43

One-off estimated share of revenues from West Ham fanstallation	c.200	Commercial arrangements to be agreed between West Ham and E20, in order for E20 to approve the installation of the fanstallation. Business plan estimates one-off income to E20 of c.£200k, though this is provisional and not yet agreed.
Annual additional potential income from increase in stadium capacity from 54,000 to 60,000	s.43	s.43 [REDACTED]

Due the complexities resulting from a combination of one-off and annual payments, and uncertainties around the assumptions for a number of the payments, it is not straightforward to accurately assess the net position for E20. However, leaving aside the one-off payments and adopting all the assumptions made above, the annual net position for E20 would be as follows:

E20 annual income / expenditure from West Ham concession	Estimated annual payment from / (to) West Ham (£'000s)
Annual usage fee	2,500
Annual estimated catering income from West Ham matches	s.43
Annual estimated West Ham share of catering revenues	s.43
Annual estimated operating costs for West Ham games	(3,300), s.43 [REDACTED]
Annual estimated West Ham performance payments	93
Annual estimated share of naming rights income due to West Ham	s.43
Annual additional potential income from increase in stadium capacity from 54,000 to 60,000	s.43
E20 Net position	s.43 [REDACTED]

This analysis demonstrates that E20 is likely to be close to breaking even on the West Ham concession in the opening year of the stadium. By 2018-19, E20 forecasts to generate a net surplus from the West Ham concession of [REDACTED].

In addition to this surplus set out above, plus the one-off £15m contribution to transformation, there are also indirect financial benefits for E20 from West Ham's concession. 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;
- s.43 [REDACTED] investment that will enhance stadium tours.

Although not paid to E20, it should be noted that West Ham are responsible for introducing claret seats to the stand, dugout seats, fitting out the ticket office, shop, concourse and internal West Ham s.43 [REDACTED] as well as the Boardroom areas. These costs to West Ham are expected to be above £3m.

¹⁰ Please note this analysis does not reconcile directly to E20's 10 Year Business Plan Income and Expenditure Projections. Some of the transactions are routed via LS185 and contained within their business plan, and some are direct with E20. Furthermore, E20's 10 Year Business Plan Income and Expenditure Projections do not include additional income from an increase in stadium capacity (as this is not assumed in the LS185 business plan).

12. Opportunities and Risks

There are a number of opportunities and risks for E20, beyond the financial projections contained within this business plan. If realised, these could result in E20 exceeding, or falling short of its business plan. The most significant opportunities and risks are summarised in the tables below.

Opportunities

Opportunity	Value	Strategy to bring to fruition
LS185 exceed their business plan projections.	20% increase in revenues would deliver additional c.£1.3m to E20 (as set out in sensitivity analysis in chapter 5).	E20 and LS185 collaborating on a daily basis to secure additional events and reduce operational costs (e.g. "spend to save" measures). Operator Agreement financially incentivises LS185 to deliver enhanced revenues.
Increased capacity (60,000) for West Ham matches, generating increased revenue for LS185/E20.	s.43	
Increased capacity (beyond 80,000) for concerts, generating increased revenue for LS185/E20.	s.43	
Groundshare with another football club (on a temporary basis whilst they develop their own ground).	Modelled by LS185 as being worth net c.£2m per annum to E20 after operating costs and contractual payments to West Ham.	LS185 in the lead to negotiate with club(s). E20 have provided introductions and continue to support.
Savings on E20 overheads, notably business rates and insurance.	s.43	

<p>Additional hospitality revenue from installing additional hospitality facilities in the East stand.</p>	<p>LS185 forecast potential net income of £4m per annum, but have yet to assess demand (see page 36 of LS185 business plan). One-off capital investment in order to realise the opportunity would be c.£20m.</p>	<p>LS185 reviewing demand. E20 have already undertaken feasibility study. Opportunity not being taken forward in the first year, but potentially a medium term project that will be investigated further in 2016-17.</p>
<p>E20 share of any potential sale of West Ham by current owners within the first 10 years of the Concession Agreement.</p>	<p>One-off, tiered payment, dependent on timing and value of sale. No income up to a sale value of £125m; increasing E20 share applies to incremental amount above that, from 7.5% up to 30%. So could potentially be worth several million pounds.</p>	<p>No action.</p>

Risks

Risk	Value	Mitigation strategy
<p>LS185 fall short of their business plan projections.</p>	<p>20% reduction in revenues would have c.£1.3m adverse impact for E20 (as set out in sensitivity analysis in chapter 5).</p>	<p>E20 and LS185 collaborating on a daily basis to secure additional events and reduce operational costs (e.g. “spend to save” measures). Operator Agreement gives E20 termination rights in the event of LS185 failure.</p>
<p>Reduced, delayed or no naming rights income.</p>	<p style="font-size: 48px; font-weight: bold;">S.43</p>	
<p>Retractable seating system is more costly to operate than forecast, and/or 7 day turnaround time cannot be achieved.</p>	<p style="font-size: 48px; font-weight: bold;">S.43</p>	

Disputed costs with LS185 are resolved in LS185's favour	c.£3m, plus legal costs.	Dispute Resolution Process being followed, with expert legal advisers appointed. E20/LLDC is confident in its contractual position. In the event that some costs do fall to E20/LLDC, responsibility would then need to be agreed between E20 and LLDC.
West Ham are relegated from the Premier League.	£1.25m reduction in the annual usage fee paid to E20, plus indirect financial impact from reduced exposure of the stadium.	No action.
West Ham's first match at the stadium is earlier than expected (Europa League qualification would potentially mean their first match is as early as 28 July (only 5 days after Diamond League athletics, and made more challenging by retractable seating risk outlined above).	Event calendar challenges. Reputational impact likely to be more significant than immediate financial impact.	E20 legal advice being sought on contractual position, and specifically whether West Ham or UKA have overriding priority. Contingency plans being prepared, to be enacted if risk is realised.
Poor stakeholder relations inhibit the full commercial exploitation of the stadium.	Unquantifiable, but could adversely impact naming rights, marketing rights, and event calendar.	E20 seeking to establish and embed improved relations with West Ham. New dedicated E20 staff resource working on West Ham matters such as the wrap. E20 seeking to close out legal disputes with LS185 and West Ham, which continue to cloud relationships.
Stadium lifecycle costs exceed business plan provision.	Unknown.	E20 to appoint a specialist consultant to undertake a full review of lifecycle requirements later in 2016, on an "as built" stadium. E20 to ensure LS185 submit a lifecycle replacement plan each year, and fulfil their responsibility for any lifecycle activity if the cost of carrying it out is no greater than s.43 .

13. Governance

Board

E20's board meets on at least a quarterly basis (currently more frequently) 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. The Members have agreed there is currently no need for an independent chairperson, and nominated David Edmonds to serve as chairperson. In addition, the Chief Executives of LLDC and LBN are ex-officio members of the board with no voting rights.

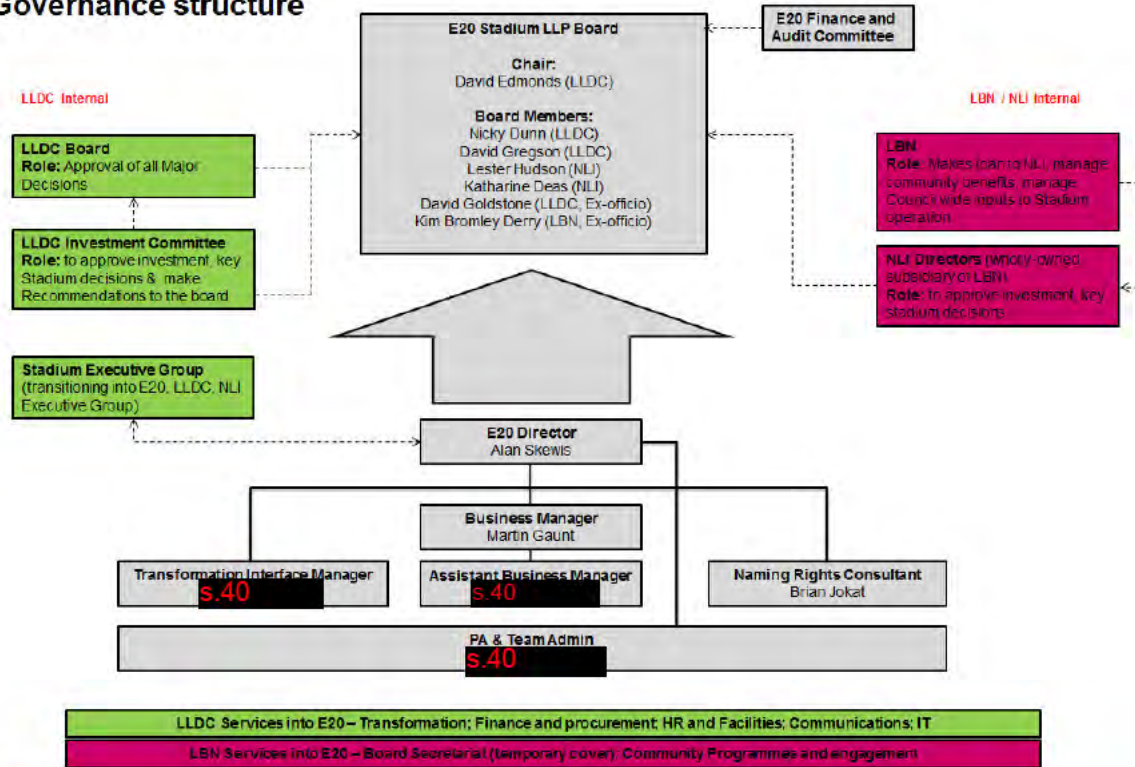
Resolutions of the board require a majority of all votes cast. LLDC has three votes, with NLI granted two votes; this reflects the principle of the current 65:35 shareholding in E20. However, the members agreement sets out a number of reserved matters that require both members approval.

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

Governance Structure

E20 Stadium LLP Governance structure

Updated for 30 March 2016 E20 Business Plan



Profit share

E20's profits are distributed to its members, LLDC and NLI, in accordance with the profit share entitlements set out in the Members Agreement. The intention is that in the long term net profit is distributed to the members of the LLP in accordance with the Profit Share Ratio (65% LLDC, 35% NLI).

However, the Profit Share Ratio can be varied by mutual agreement for a limited period to allow either party to take a disproportionate share of net profit provided that a subsequent rebalancing takes place. Such a variation is in place from the start of the agreement to cover the period when NLI's £40m loan is being repaid. During this period, initial profit share entitlements apply, as summarised in the table below.

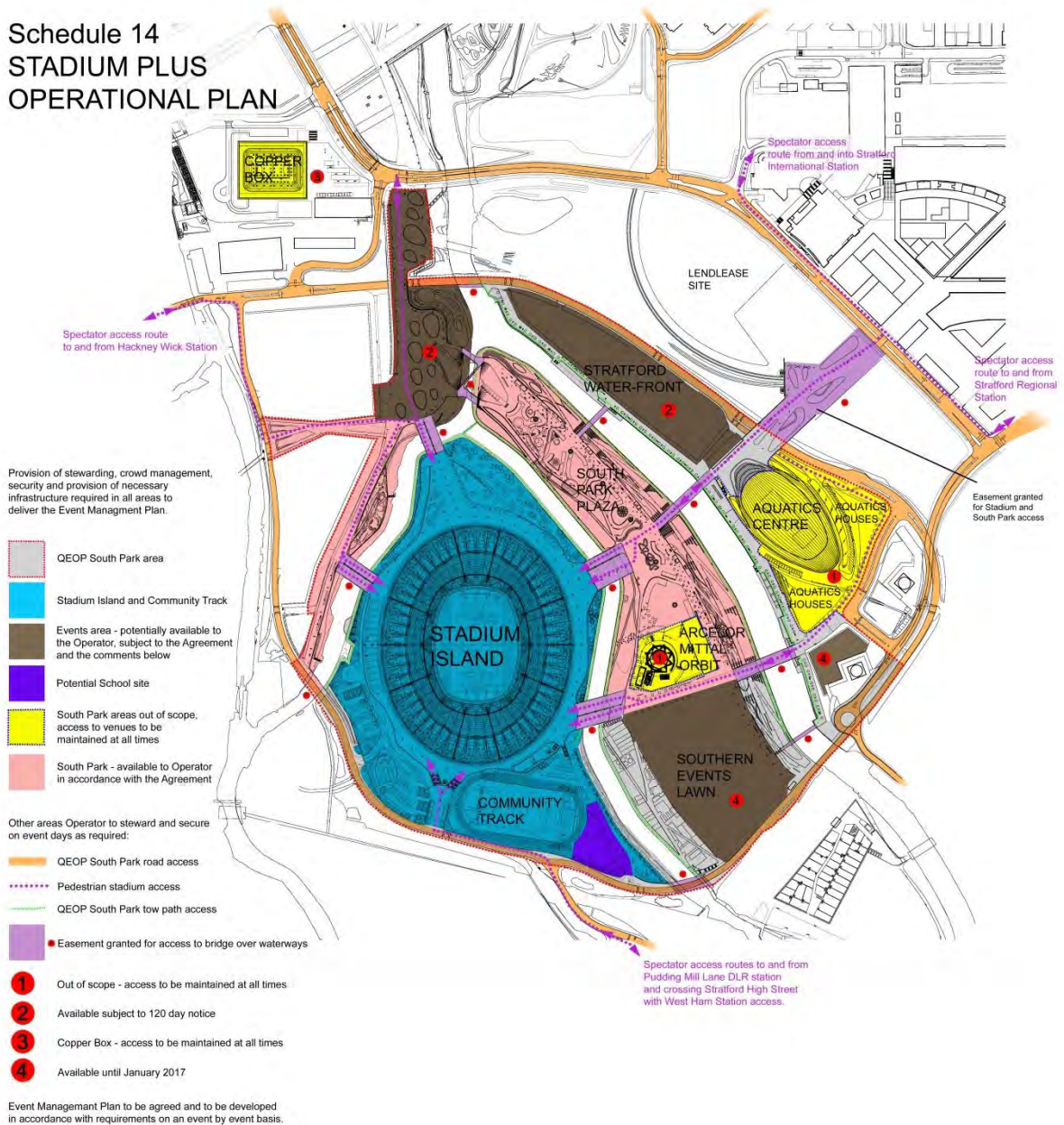
Initial Profit Share Entitlements								
	Cumulative Profit (£m)	Profit per tier (£m)	Entitlement					
			LLDC	NLI	Loan repayment buffer (E20)	Lifecycle reserve (E20)	Newham Legacy Fund	Legacy List
Tier Five	Above 5.92	...	65%	35%				
Tier Four	5.92	0.5					0.25	0.25
Tier Three	5.42	1				1		
Tier Two	4.42	1.45			1.45			
Tier One	2.97	2.97	0.97	2				

Note - Table does not include indexation of profit share

Notably, during this period, NLI receive approximately two thirds of the tier one profits, and LLDC one third. The financial projections set out in the business plan are at such a level that, if realised, would all fall within tier one.

Map of Stadium site

Schedule 14
STADIUM PLUS
OPERATIONAL PLAN



Appendix A – LS185 Business Plan

The LS185 Business Plan was approved by the E20 Finance & Audit Committee on 7 March 2016. The final version is annexed here.



London Stadium 185

Business Plan



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ANNEX A: LS185 boundary and areas of operation

ANNEX B: Community engagement plan

ANNEX C: Stadium Calendar for 2016 - 2018

ANNEX D: Organogram and key description of events team

ANNEX E: Brand and Marketing Brief

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ANNEX G: Mobilisation Integrated Project Plan

ANNEX H: LS185 Organisation Organogram

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ANNEX J: Capital Investment Opportunities – Business Cases

1. Executive Summary

Our Vision

To be a world class Stadium of choice attracting the best in sporting and entertainment events that the national and international markets have to offer.

Our Mission

To operate safely and efficiently, and to provide innovative stadium entertainment for local communities, national and international visitors, customers and stakeholders, and to handback the stadium in 25 years.

Business Plan for London Stadium 185

This document is the London Stadium 185 (LS185) Business Plan. It sets out what we aim to do in and around the Stadium at Queen Elizabeth Olympic Park over the next five years, and how we plan to achieve these aims. This document has been approved by the LS185 Board and E20 on (date).

Annex A shows the map of the London Stadium 185 boundary and areas of operation.

Aims and Outcomes

LS185 is committed to operating the stadium as a multi-use venue which will secure the legacy of a premium sport spectator venue as well as attracting other entertainment offerings.

LS185 will:

- Aim to deliver an annual financial surplus to E20, after an initial period of opening and mobilisation;
- Perform its obligations within the Operator Agreements;
- Book a wide programme of sport, cultural and commercial events;
- Operate a safe and secure Stadium and deliver with excellence and innovation a wide programme of events, including West Ham games, plus the community events and allow year round community access;
- Maximise the commercial assets of the Stadium, either directly or through contracts with one or more specialist companies; and
- Contribute to the legacy benefits:
 - 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;
 - Educational provision within the Stadium; and
 - Access to the community track and wider Stadium facilities and events for Newham residents.

Commercial Priority

LS185 shall first and foremost act commercially, driving the financial success of the Stadium and other temporary sites within its control to maximise revenue and financial return.

To draft this business plan, we have considered the following assumptions, some of which are still under discussion with either E20 or West Ham:

- Maximum of 7 days for the movements of the retractable seating from pitch mode to “pure” athletics mode and vice-versa, with some potential flexibility on the number of days as outlined in Section 4 (Financial Perspectives)
- 2nd tier sponsorship owned by LS185
- Events protocol allowing LS185 to organise the events:
 - From Mid-May to agreed week of seeding
 - During the international football windows (such as September, November and March)
 - During the year, on a case-by-case basis
- “Comparable” stadium in terms of design

We have also considered how we can best attract lucrative commercial events against fierce London competition. In addition to be the only stadium in the UK to meet both UEFA Category 4 classification and be a fully compliant IAAF Category 1 athletics facility, the stadium can leverage two key assets as unique selling points with the event organisers:

- A connected stadium with excellent transport facilities; and
- One of the largest General Admission capacities for concerts thanks to the athletics mode.

In addition to the commercial priorities and events which will bring millions of visitors and contribute to the economic and social development of this area, LS185 shall also support delivery of a range of community objectives and requirements as set out in the Opportunity Parameters.

Financial Projections

Please find below the financial projections for the E20 net contribution.

E20 Financial Year					
Period Start date	01/04/2016	01/04/2017	01/04/2018	01/04/2019	01/04/2020
Period End date	31/03/2017	31/03/2018	31/03/2019	31/03/2020	31/03/2021
E20 net contribution					
Grantor Net Commercial Revenue	2 507,8	5 805,5	6 311,0	6 323,7	6 336,6
Annual Grantor Contribution	(5 289,5)	(5 874,8)	(5 874,8)	(5 874,8)	(5 874,8)
Net Grantor contribution	(2 781,8)	(69,3)	436,3	449,0	461,8

For more details, please refer to Section 7.

Under these projections, the net contribution becomes positive and stable from 2018-19. However, after these first years of operation, we fully expect our growing know-how and that our collective experience will allow us to take full advantage of all the assets of this unique stadium.

That, plus our collaborative relationships with the event organisers, and various stakeholders and partners including West Ham, Westfield, UKA and other QEOP venues, should enable us to find additional innovative sources of commercial revenues together with costs savings to grow the net contribution year on year.

2. Foreword

I am delighted to introduce the first London Stadium 185 Business Plan. In 2015, following the award of the contract to operate and manage the former Olympic Stadium, LS185 were responsible for successfully hosting a wide diversity of international and world renowned events at the Stadium. These events ranged from Diamond League Athletics, to the Rugby World Cup, international Rugby League and the Race of Champions, attracting nearly half a million visitors to the Stadium, thus benefiting the local economy and boosting London's profile as a tourist and visitor attraction. These events not only gave us the opportunity to showcase world class entertainment in an iconic venue but also to forge collaborative partnerships and relationships with stakeholders, partners, event organisers and local community members, which we aim to build on in the coming months and years. The LS185 team is also proud to have sourced two events (Rugby Football League and Race of Champions) within a limited window of 10 days between the Rugby World Cup de-rig and handover for transformation, which demonstrates our ability to organise additional events.

Moving forward we are very much looking forward to enhancing the Stadium's commercial development alongside a range of sponsors, event organisers and partners. We are already working on the generation of ancillary revenues such as catering, marketing partnerships and corporate events with leading edge digital tools to better support us. With the help and support of our stakeholders, local business and residents we are focused on ensuring this former Olympic Stadium is a permanent place of activity thereby contributing to economic and social development of this part of East London. These activities will, after the successful completion of the transformation works, open on a real high as we welcome AC/DC at our first concert on 4 June 2016.

In addition, as part of the Stadium transformation, we are really excited by the prospect of top Premier League football coming later this year, when the Stadium becomes the new home of West Ham United Football Club. Already we are working together on areas of mutual interest such as brand values and community engagement and welcome the additional interest and innovation that this brings.

In conclusion, this has been a very challenging but rewarding first year operating and managing the Stadium in between the various transformation works and my thanks and appreciation go first and foremost to all those in the LS185, Delaware North, VINCI Facilities and OCS teams who have contributed to these successes. Thanks also extend to E20, LLDC and Newham; to West Ham; and to colleagues in the wider VINCI Stadium and Concessions family, and to all those partners and stakeholders who have similarly supported us.

Linda Lennon

Linda Lennon CBE
Chief Executive Officer, London Stadium 185

3. Context

About London Stadium 185

VINCI Stadium's subsidiary, London Stadium 185 was appointed to operate and maintain the Stadium at Queen Elizabeth Olympic Park for a period of 25 years, commencing in 2015. The operating company was named London Stadium 185, in honour of the 185 Olympic and Paralympic medals won at 2012 games by British Athletes. In operating the Stadium, London Stadium 185 will draw on the expertise and local anchor of VINCI Facilities UK for maintenance tasks and on the expertise of Delaware North to handle catering. VINCI Stadium currently operates a network of stadia in France including the Stade de France in Paris, the Allianz Riviera in Nice, the Matmut Atlantique Stadium in Bordeaux and the MMArena in Le Mans.

London Stadium 185 is responsible for sourcing and managing big events and ensuring its commercial development through additional programming generating additional revenue: corporate events, partnerships, catering, and coordinating activity in the venue throughout the year.

About E20 Stadium LLP

The Stadium is owned by E20 Stadium LLP, a joint venture between the London Legacy Development Corporation (LLDC) and Newham Legacy Investments (NLI), a wholly owned subsidiary of the London Borough of Newham (LBN), specifically set up to transform and to ensure the legacy of the Stadium. The partnership has been given a 102 year lease on the stadium island site by the Legacy Corporation (three years to develop and refurbish and 99 year operation).

About The Stadium

The former Olympic Stadium at Queen Elizabeth Olympic Park is being transformed into a year round multi-use venue that will deliver a lasting sporting, cultural and community legacy in East London.

Transformation work includes installing the largest roof of its kind in the world, a community track, retractable seating, spectator and hospitality facilities and external landscaping.

The stadium was temporarily opened for five months in 2015, hosting five matches of the Rugby World Cup in 2015 as well as test events, the Anniversary Games, the Great Newham Run, an international Rugby League match and the Race of Champions event for nearly 480,000 people to enjoy.

Alongside running the Stadium, LS185 will also manage the London Marathon Charitable Trust Community Track and events on the South Park lawn, below the ArcelorMittal Orbit, and the Water Front from April 2016 until the end of 2017. We will work with the E20 Stadium Partnership to promote sport and healthy living in the local area and deliver mass participation events such as the Great Newham London Run. The Community Track will then be available for schools and community use on a play and pay basis for a minimum of 250 days a year, as well as providing warm-up facilities for major athletics meets.

Community benefits and engagement

The local community will benefit all year round from the Stadium in the following ways:

- London Borough of Newham will stage 10 community events in the Stadium each year including the Great Newham London Run.
- 100,000 free tickets every year for Newham residents to see West Ham United matches.
- 5,000 people will have worked 2 million man hours once the Stadium transformation is complete. During the summer of 2015, 1000 workers were on site, with over 30 apprentices recruited from the local area.
- Community track, which is the home for Newham and Essex Beagles Athletics Club, including regular weekly club training and competitions, being the base for the Newham Athletics Network, and the base for running initiatives including “Run England” programmes.

This is further outlined in LS185’s Community Engagement Plan, which can be found at Annex B.

Olympicopolis

From 2020 the visitor destination will have a new stellar arts and culture offer at its heart at Stratford Waterfront. Over the next five years, LLDC will ensure that Olympicopolis is successfully integrated into the existing visitor offer on the Park and in the surrounding area, and build a visitor base of people who are excited about visiting. LS185 is committed to assisting in the aim to provide venues in this area of London that are well targeted to develop loyal audiences and build excitement and propensity to visit in the future, and to create some potential commercial synergies between the stadium and the other venues.

This will all inform our future approach to operating the Stadium, as outlined in the following sections.

4. Future Events Plan Strategy – April 2016 to March 2018

Achievements from 2015

2015 saw the Stadium at Queen Elizabeth Olympic Park hold 15 events, attracting 480,000 visitors.

This was made up of test events including two Diamond League meetings, five games for the Rugby World Cup, one Rugby League game, the Great Newham Run and two days of Race of Champions.

There was 10 days available between the end of the Rugby World Cup and the start of the final transition period, in which LS185 sourced two events (Rugby Football League – England vs New Zealand – and the Race of Champions) which contributed to providing extra revenues and strengthening the Stadium's positioning as London's most flexible venue for hosting international major events.

Key learnings

These events gave us the opportunity to consider how we manage events in future and to address any issues before the re-opening of the Stadium. A very constructive lessons learnt session was held with all key partners and stakeholders including E20, LLDC and Newham.

We learnt a lot of pros and cons of from having a Fan Zone during the Rugby World Cup, which we can draw on if we receive similar proposals in future. In spite of the additional operating costs, which relates to costs incurred following the late handover of the stadium, certain systems not working and additional security required following the events in Paris, the level of revenue generated by the Stadium only met what was set out in the bid. Unfortunately, the time of the year and uncertainty of weather, coupled with competing indoor venues, meant the Fan Zone, which was a requirement of the Rugby World Cup, not surprisingly lost money which impacted on the financial success overall.

Confirmed Events in 2016 and beyond

Enquiries to hold events at the Stadium in 2016, 2017 and beyond have been increasing, with possible offers from several major concerts and sporting events promoters, some of them willing to commit on a long term basis (five years). These discussions are enabling us to refine how we market the stadium and build on the many positives the promoters are giving us. The potential events include American Sports, music festivals and concerts. As such, both an Events Protocol (to take account of long term commitments and trustful relationships with key partners such as West Ham) and an Events Strategy are currently being detailed to define what types of events, as well as when and where, will be considered. After the handover in late May, the Stadium will have an extensive events program in 2016 and onwards:

- On the 15th December 2015, AC/DC were announced as the first headliner concert for the 2016 event window and they will be performing on Saturday 4th June. LS185 have worked with the event promoter, key partners and other stakeholders to secure this event;

- Shell Eco Marathon is confirmed for 2016 on the South Park, and will run between the 30th June and 3rd July;
- The Great Newham Run returns to Queen Elizabeth Olympic Park on the 17th July 2016, with all runners in the 10k finishing inside the Stadium;
- The London Anniversary Games, organised by British Athletics, is confirmed for 22nd – 23th July 2016, with tickets already on sale;
- The Beach event also returns to the Waterfront from July 2016 through to the end of August (discussions are still ongoing for precise dates though the event is secured through the 2015 agreement);
- West Ham United will be moving in ready for the 2016/17 season; and
- The IPC Athletics World Championships will take place from 14th – 23rd July 2017. The IAAF World Championships follows from 4th – 13th August 2017.

A calendar of confirmed events, along with any assumptions, is attached at Annex C.

Pricing Strategy



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Plan for holding events

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Challenges and Considerations

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Future Event choices

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2. Rugby:

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4. Concerts:

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5. South Park Events:

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Financial perspectives

The table below shows the financial targets submitted during the bid and our revised updated assumptions. Differences between the two and with version 1 of our Business Plan are outlined thereafter:

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To reach these level of revenues, we are setting up close relationships with the event organisers. LS185 relies on a broad scope of expertise from staff who cumulates over 50 years of experience in managing operations and booking events in the sport and entertainment industry, in similar venues. Within the team, we have a broad scope of expertise from the Chief Executive Officer, Chief Operating Officer and Head of Events who use existing contacts to pursue events and build new professional relationships to enhance the reputation of the Stadium.

5. Other Income Streams – April 2016 to March 2018

As well as revenue from events, we are looking at other ways to maximise our assets. This area of work includes catering, commercial partnerships, effective use of stadium assets and branding, connected stadium and digital activation, building equity in the stadium brand and a marketing strategy for the Stadium and LS185.

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Strategy to achieve maximum revenues

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Priorities and timelines

The priorities in the short term (two to three months) are:

- To secure a pouring rights partner
- To secure technology partner
- To agree betting category solution
- Agree stadium branding and stadium asset strategy and ownership
- Develop the Stadium name, positioning and have brand guidelines in place

In the medium term (three to nine months), the priorities are:

- Build a brand and subsequent marketing plan
- Build partnerships that will help us to grow the stadium through activation
- Deliver our digital and data solutions
- Integrate our partners into the connected stadium
- Deliver the website and digital platform/channels

Challenges and Considerations



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Brand and Marketing Strategy

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The connected stadium project

To support this brand and marketing strategy and to contemplate other financial streams, we are developing the connected stadium project. Behind this work, we encompass the infrastructure (WiFi HD) and the associated channels (Website, application) and associated potential services (conferences booking, catering, betting, ticketing). Further information is attached at Annex F.

Catering



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6. Operating Costs

LS185 have considered the operating costs to run the Stadium for a West Ham games. The costs have been assessed using our experiences of the costs incurred during the 2015 event period and were then challenged by the operational team during a specific workshop with the overarching principles being the requirements to deliver safe and secure events driven by providing best value.

	Cost Element	Comments
Hard Services	£9 665,75	From summer 2016, after the handover, VINCI Facilities will take control of the hard services
Cleaning and Waste Management	£16 640,87	Based on 2015 figures with some optimisations
Medical Services	£8 562,60	Crowd doctors, St John Ambulances, London Ambulances Services,...
Safety & Security	£88 397	Control room staff (event safety officers, loggist,...), stewarding, dog search, fire marshalls, traffic management and marshalling, Police, Park Mobility, Egress Barrier...
Additional LS185 event costs	£9 120	Jumbo screens operations, Fortress and IT event support, specific event hiring, additional pitch staff,...
Utilities	£5 000	To be confirmed
Westfield	£7 000	
TOTAL	£144 387	

As a result of our evaluation it has been established that our forecast operating costs for West Ham games are higher by 35% (£37k) in average than was projected in the bid (£107k), mainly due to the increasing safety and security costs. When assessing the actual spend, it should be borne in mind that throughout the 'bid process' the assessment of the requirements for safety and security were carried out "off plan" without the ability to review and assess on site. Furthermore, we had to take account some additional services to deliver the high quality customer experience such as additional Park Mobility Services, which were not assessed in the bid. Currently, event organisers are indicating they do not wish to pay extra for these services, and we are balancing this against the reputational risk of not doing so. We will also have separate discussions with West Ham.

Also, with these current assumptions, the annual rent of £ 2.5M will not be sufficient to cover these operating costs related to the West Ham games, with the following assumptions of £144k per match:

- £ 144k per match as outlined above,
- An average of 23 games/year for West Ham,

If unchallenged, this would led to a potential loss of c. £ 800k on the West Ham games (without taking account the catering revenues related to the WH games which are equal to £ 630k on a steady-state basis).

To limit this negative impact for 2016 and onward, actions are being taken to reduce these operating costs, for instance:

- by improving infrastructure on a 'spend to save' basis in order to reduce stewarding numbers including technology solutions. This is further explained in section 9 - Capital Investment Opportunities.
- by building good relationship and partnership with Westfield on areas of common interest such as stewarding, policing and CCTV to look at opportunities to share resources by rationalising as much as possible some of the costs

It is worthwhile to note that taking into account isolation the savings on an event by event basis are not massive, however, when considering for instance the longer term picture a 10% saving on safety and security spending alone would recoup in excess of c. £200,000 based on a 23 WH games a year.

Furthermore, LS185 are working with crowd modelling experts and the Licensing Authority to support West Ham's request to increase the capacity of fixture from 54,000 to 60,000. We anticipate that an annual season ticket price for each of the additional 6000 seats will be £300 producing increased ticketing revenues of approximately £1.8m per season. The increase in capacity will bring with it additional management, stewarding and infrastructure costs that should not place additional burden on the operational costs. LS185 intend to approach this with West Ham and to negotiate an additional fee for the increased capacity, we will utilise this additional revenue stream to offset as well some of the shortfall in operating costs as outlined above.

In our business plan, for the West Ham games without including the catering revenues related to the West Ham games, we have considered this potential loss of £ - 800k in 2016-2017 but a target of £ - 400k in 2017-2018 and a financial balance from 2018-2019 and onwards, obtained thanks to a mix of costs optimisation and negotiations with West Ham to take benefit from these higher ticketing revenues related to this increasing capacity.

Also, the net surplus from West Ham matches is forecast to reach circa £650k per annum in steady state by including the catering revenues related to the West Ham games.

Concerning the concerts, there are additional costs and revenue streams to be considered including:

- Additional costs for pitch and running track protection, trackway and rollway,
- Additional costs for the provision of enhanced medical cover, specialist stewarding, increased support staff and specialist Health & Safety due to the different crowd management operation,
- Additional fees for the hospitalities sales management: agent fees, catering costs, ticketing price. These costs and the related revenues are taken into consideration when contracts are discussed to ensure that an operating profit is achieved.

These costs are included in the concert P&L, which are worked up individually once an event proposal gets to the commercial stage.

7. Financials

Please find below some assumptions:

- All the figures below are at 2015 prices (before taking account any indexation).
- For the financials, as mentioned in the other sections, we have considered the following football season for West Ham on a “typical” year (23 games).

TOTAL Premier League: 19
TOTAL Cup: 4

3Q		4Q		1Q		2Q	
PL	Cup	PL	Cup	PL	Cup	PL	Cup
4	2	5	1	6	1	4	0

- Furthermore, for the 2017-2018, we have considered the option 1, which assume baseball and a major concert, mentioned in the section 4.

Please find below the updated LS185 P&L and the net E20 contribution (bottom line of the table), considering the last assumptions detailed in this Business Plan:

- The net E20 contribution becomes positive from year 2018-2019, with a positive value of c. £ 450k on the steady state (lower than in the potential net E20 contribution presented in the bid).
- As of today, the actual fixed costs borne by LS185 (Actual Annual Fixed Costs) are higher than the costs budgeted in the bid and paid by E20 (Annual Covered Fixed Costs), mainly due to the increased staffing resources that LS185 decided to recruit.

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8. Approach to 2016 mobilisation

As we get ready for the first event and the arrival of West Ham United, we are implementing a number of matters to enable us to be fully mobilised by the 27th May 2016, when the Stadium is officially handed over. A Mobilisation Integrated Project Plan is attached at Annex G and shows the operation planning milestones for LS185 and its partners, up to the period of West Hams arrival into the stadium. Key headlines are outlined in this section.

LS185 will be launching a financial/accounting platform by spring 2016 to enable us to have a better reporting, invoicing and payment process, based on the platform developed on other infrastructure operated by VINCI Concessions (stadia, airports, highways). It will enable us to have an automatic analytics analysis of the events financials and improve efficiency.

We will be launching our own website and other social media channels in summer 2016 to communicate about events, operational items and to promote the venue. This is explained further in section 6.

A programme of recruitment of roles to strengthen the team and provide the commitments we have pledged to undertake is underway. An organogram is attached at Annex H which shows the structure and resourcing of LS185. Recruitment includes:

- One Head Groundsman, one Deputy Head Groundsman and two Groundsmen to support the delivery of the pitch to the standard expected. A campaign has been started and has identified a Head Groundsman and Deputy Head Groundsman appointed and due to start in April and May 2016. This will enable a handover of the pitch from Hewitts and for familiarisation sessions they will have with the incoming grounds team. This is vital as we need the team to have a complete understanding of how everything works as this is possibly our biggest reputational risk.
- A campaign to identify a MarComms Manager was started in January and is still underway. They will devise and deliver an Event Communications and Events Plan which covers all MarComms elements of Stadium events including learnings from previous events, key messages, branding, stakeholder management, media management and key media titles, social and digital opportunities and commercial/promotional opportunities. This will include working with event partners and their agencies to devise, agree and deliver co-ordinated the plan, which include positive, proactive communications in support of the stadium and LS185, crisis management, sound management, LS185 reputation management, Q&A's and key messaging.
- Digital Web Manager for the management of the digital tools being set up by the Connected Stadium Manager. This recruitment will begin once the MarComms Manager has been recruited, with an anticipated start date in late spring 2016.
- An advert for an Accountant is underway, with 10 CV's received to date. They will lead on billing management, accounting (including event costs reconciliation), preparation of quarterly and annual financial statements, asset and renewal program management, consolidation, assisting in the preparation of budgets and shareholder reporting, tax monitoring, payroll preparation, audit, and liaison with other

departments as necessary. This role is currently being advertised, with an anticipated start date in April 2016.

- A Health and Safety Manager will be recruited by the beginning of March 2016 to support the Operations Team to enable us to fulfil all our legal obligations in the run up to and post the concert.
- An Operations Manager will be joining on the 1st March 2016 on a fixed term basis in the lead up to the handover/the concert and post review. This will support the Chief Operating Officer and Head of Operations in the transformational aspects.
- In recent weeks, a second Event Manager (former event manager of the RWC with a knowledge of the Stadium) and an Event Safety Officer (who also has knowledge of the Stadium (in addition to our Head of Safety and Security) have been recruited to give more resilience to the team.

LS185 are working with and engaging West Ham United about bringing experienced stewards to enhance the customer experience and expectation. The Head of Safety and Security has attended West Ham games to speak directly with the stewards and will continue to engage with them before the end of the season.

We are getting VINCI Facilities involved in the long term to run the hard & soft FM. Assets commissioning is work in progress and the Head of Technical will to engage VINCI Facilities, as well as other key partners, as the handover date becomes nearer.

As part of LS185 process and stakeholder management we meet weekly with our other subcontractors, including OCS, VINCI Facilities and Delaware North to continue to build relationships and give updates on actions, risks and issues. Key risks are shared monthly with E20 at the KPI meetings. These risks currently include the quality of CCTV, the requirement for airwave to be installed (both of these link to the granting of a safety certificate), the retractable seating timings (this impacts on event calendars and ability to generate commercial income), handover of the Stadium on the 27th May and assets commissioning, ownership of marketing and other rights, and ongoing dispute over electricity and catering works and provision of FF and E.

Monthly Steering Group meeting take place with West Ham to better define how we will work with them (including sharing the stadium). This includes updating project plans (as attached at Annex I) and action planning to ensure the moving in period goes as smoothly as possible. Conversations are also held outside of this group to build relationships and progress plans.

LS185 have recently engaged a specialist lawyer, and will be working with key stakeholders, including Newham Council, the Fire Service and others to gain a premises licence for the Stadium. We aim to submit the licence at the end of February 2016 to allow time for a hearing to take place. The Head of Safety and Security is leading the process with the aid of the Head of Events, with the Chief Executive providing a strategic overview due to the tight timetable.

The Events Safety Officer is undertaking an annual review of the Venue Operations Manual which is required for the licensing and this will be completed by spring 2016.

LS185 will be agreeing the concerts processes internally before making a decision on any tender exercises. This will depend on the outcome of various proposals for 2017, as explained in section 4.

LS185 are working through proper plans for full operation. The Business Continuity Plan is on draft three and is being kept under constant review with more detail being added as it is known. A final version will be in place by handover date (27th May 2016) and will be formally reviewed after a period of 3 months of operation, with a copy filed to E20. LS185 remain committed to the provision of an Environmental Sustainability Plan as set out in the bid. However, many details of the plan cannot be developed and finalised until the stadium is handed over. We have agreed that an updated plan which will build on six months of operating the stadium and will be filed with E20 by the end of December. The existing Exit Plan is also under review and will be filed to E20 by the end of May 2016 to coincide with the handover. LS185 and their partners and sub-contractors remain totally committed to what was set out in the bid for jobs and apprentices. Mobilisation of LS185 and sub-contractor teams is ongoing but we are still waiting on certain resolutions including outcome of TUPE and shared service discussions with West Ham. An updated The Job and Apprentice Plan will be provided to E20 at the end of June 2016 following full mobilisation.

9. Capital Investment Opportunities

The following suggestions are possible items for further capital investment which could enhance the stadium's prospects. Formal requests will be made to E20, with full business case proposals worked up.

Safety/security/crowd flow

For 2016 actions are being taken to improve infrastructure on a 'spend to save' basis in order to reduce stewarding numbers. Capital investment projects have been identified that will enable a significant reduction in the number of stewards deployed in year 2. As noted in the section 6, when taken in isolation the savings on an event by event basis are not massive, however, when considering the longer term picture a 10% saving on safety and security spending alone would recoup in excess of c. £200,000 based in a 23 WH games a year.

The following "spend to save" could be contemplated:

- Fencing by the car park/offices near to the public walk way should be reinforced. This will satisfy any reputational risks relating to potential public access
- Provision of access to Public Realm CCTV that will pay for itself in the first year with a £38,000 saving in stewarding costs (see Annex J for costs and explanations)
- Additional spectator barrier install for Level 2 to enable the sale of front row of the upper tier in concert mode (see Annex J for costs and explanations)
- Improvements to street furniture on Montfichet Road that will negate the need for additional barrier installation that it is anticipated will, again, pay for itself within the first year and produce a £200,000 saving year on year after installation (see Annex J for costs and explanations)
- Facial Recognition Technology (£50k on top of the £65k to be invested by LS185 for this system)
- MPS airwaves radio system for the control room at £160,000
- Investment in temporary turnstiles for deployment on bridges into island, which will provide accurate spectator data, improve safety & security for events such as concerts, world athletics and similar events when the existing turnstiles are not practicable. For example, at concerts when 40,000 people will need to ingress onto the pitch area, search procedures are likely to take place on the bridges to facilitate this. The costs to purchase this outright is approximately £240k, but a five year leasing option is also being explored to compare what provides the best value. There could be an option to charge the costs back to event organisers.

Fan experience/marketing/sponsorship (including digital)

- Extending kiosks to improve pouring experience for fans – 12 kiosks to go onto podium outside

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- Digital strategy at the Park level: common CRM tool (“Business to Customer” and “Business to Business”) to be developed with the other venues, Westfield, TfL. LS185 could lead on these developments. The potential costs will depend on the specifications. LS185 are keen on setting up a dedicated meeting with E20 on that, to explain their thoughts.
- Additional WIFI antennas (on Stadium Island and bridges) to create a continuity between the WIFI HD antennas to be installed in the stadium by LS185, and the WIFI installed by LLDC in the Park. Cost to be confirmed by the end of February/early March, at the end of the WiFi HD tender process.
- Intelligent IT infrastructure management tool (such as Commscope), providing insight into the status of the Stadium infrastructure allowing to track the physical location of devices and to troubleshoot and resolve infrastructure issues faster and remotely. Circa £ 200k-300k.

Other overlay

- Potential overlay works necessary to host the MLB

Additional hospitality Capacities

A feasibility study has been produced by E20 to look at the possibility of installing an additional hospitality area with an additional 3-4,000 seats on the East Stand. LS185 have looked at what additional revenue could be created from this opportunity, and this is outlined below.

A large, bold, red graphic consisting of the letters 'S', a period, the number '4', and the number '3' (S.43) is centered on a solid black rectangular background.

LS185 will assess further the potential demand for this additional hospitality area. This will take into consideration West Ham sales, other events and potential groundshare options.

10. Next Steps

Given that the stadium is still undoing transformation works and LS185 are still a new set up, we would fully expect the existing activities and activations to be developed and enhanced over the coming months and years. Its progress will be kept under regular review by the Senior Executive team of LS185 and also by the LS185 Board. It will also be updated annually.

In addition LS185 will continue to update on performance against KPIs at monthly meetings with representatives of E20, and at the Quarterly Finance Review.

Annexes

ANNEX A: LS185 boundary and areas of operation

ANNEX B: Community engagement plan

ANNEX C: Stadium Calendar for 2016 - 2018

ANNEX D: Organogram and key description of events team

ANNEX E: Brand and Marketing Brief

ANNEX F: Connected Stadium

ANNEX G: Mobilisation Integrated Project Plan

ANNEX H: LS185 Organisation Organogram

ANNEX I: LS185 and WHU Project Plan

ANNEX J: Capital Investment Opportunities – Business Cases

Subject: Naming Rights

Meeting date: 30.03.16

Agenda Item: 6

Report to: E20 Stadium LLP Board

Report of: Alan Skewis, Director of E20 Stadium LLP

1. SUMMARY

1.1. This paper provides an update on naming rights.

2. RECOMMENDATIONS

2.1. The Board is invited to **NOTE** the update.

3. NAMING RIGHTS

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Subject: Stadium Wrap
Date: 30th March 2016
Report to: E20 Stadium LLP Board
Report of: Martin Gaunt, Business Manager, E20

1. SUMMARY

- 1.1. This paper provides an update on the Stadium Wrap.
- 1.2. Following considerable work by E20 and its design team, and in close collaboration with West Ham United FC, a Planning Application was submitted on 24th March. In line with the Board's intention, this is for a part fabric, part LED screen, wrap including channel lettering signage on the compression truss. The programme for all three elements (sign, fabric and screen) is extremely challenging in order to deliver in time for West Ham's first fixture of the 2016/17 Season.

2. REQUEST

- 2.1. The Board is invited to **NOTE** this update. A further update, including the investment appraisal necessary for final approval, will follow next month.

3. PLANNING SUMMARY

- 3.1. The Wrap consists of stretched fabric and an LED screen covering three sides of the stadium (270 degrees / approximately 750m) - the West Stand is excluded as it is a fully clad structure. The wrap will serve as a dressing for the stadium, with each fabric panel stretching across the whole width of each bay (7.5m) and from the top of the "halo" structure to within 4.7m of the lowest compression truss.¹ This design has been presented to the Planning Policy and Decisions Team (PPDT) and the Quality Review Panel (QRP), who supported the design of the fabric and the rationale for developing the selected option.
- 3.2. The colour scheme and branding on the fabric panels has been agreed between E20 and West Ham. Once again, this is broadly supported by PPDT and QRP, recognising that panels can be easily replaced or covered when required by other events. However, when combined with the truss sign and LED screen content, both groups felt the scheme generated excessive branding.
- 3.3. The design and positioning of the truss sign has also been agreed between E20 and West Ham. It has not, however, received support from PPDT, who believe the sign unnecessarily "clutters" the roof line. QRP were more supportive although they desire a solution which is "minimal" and is "exceptionally well designed".

¹ It is necessary to allow this significant gap above the fabric in order to allow circulation of air (and smoke in the event of a fire) out of the stadium.

- 3.4. At 12m high and 82m wide, the LED screen will span 11 bays of the façade, as shown in Appendix A. PPDT have concerns over the scale of the screen² and the level of usage. QRP have also raised concerns over the “brashness” of the screen.
- 3.5. E20 and West Ham wish to pursue the proposed screen size in order that it enhances the spectator experience along the whole length of the main pedestrian walkway towards the stadium. E20 also believe that the screen size s.43 [REDACTED] and provides greater content flexibility.
- 3.6. The design team are seeking to strike a balance between a screen that is highly visible in day and night conditions, and one that meets Planning requirements. E20 will again arrange either a mock-up, or a demonstration at another site, in order to seek further assurance that the screen will be highly visible.
- 3.7. In summary, there are Planning challenges, and there is a significant risk that the scheme may be rejected, amended, or delayed. E20 is actively managing this risk in partnership with PPDT, and in close consultation with West Ham. s.43 [REDACTED]
[REDACTED]
[REDACTED] This is despite E20’s advice to the contrary.
- 3.8. E20 is similarly prepared to adopt an ambitious, high risk approach, but is more open to the prospect of concessions if these are modest in nature, and would increase the chances of swift planning approval. The application is due to be determined on 24th May.

4. PROGRAMME UPDATE

- 4.1. s.43 [REDACTED]
- 4.2. s.43 [REDACTED]
- 4.3. s.43 [REDACTED]
- 4.4. s.43 [REDACTED]

5. CAPITAL COST AND FUNDING

- 5.1. At this pre tender stage, the total capital cost of the scheme is forecast to be £6.1m.
- 5.2. West Ham have agreed to contribute £1m to the fabric wrap and steel strengthening elements of the scheme, with E20 funding the remaining £5.1m, including all costs relating to the supply of the LED screen.

² West Ham are referring to it as the “largest screen in Europe”, though E20 have yet to validate this assertion.

5.3. There is no contingency contained within the £6.1m estimated capital cost of the scheme, and some significant uncertainties remain. As such there is a risk that the cost may rise. Nevertheless, West Ham have been clear that their contribution is capped, prompting E20 to adopt this position too.

6. PROCUREMENT UPDATE

6.1. s.43

The design team are, therefore, playing an increasingly important role to integrate all these elements together.

6.2. As previously mentioned, the programme is already proving particularly challenging. E20 have therefore sought ways in which improvements to the programme can be achieved s.43

This route may deliver a small but important time saving in the programme, but must be weighed up against other procurement considerations.

7. COMMUNICATIONS

7.1. Members may have seen the recent press coverage on the wrap, notably the Evening Standard back page spread on 23 March

(<http://www.standard.co.uk/sport/football/west-ham-plan-to-adorn-olympic-stadium-with-biggest-digital-screens-in-europe-a3209881.html>); attached at Appendix B).

7.2. This story was generated by West Ham, with E20's knowledge if not its full blessing. The image in the Standard was West Ham's interpretation of the design, rather than any of the visualisations that form part of the planning application. The image is heavily exaggerated in West Ham's favour, and notably excludes naming rights branding and signage. s.43

The coverage serves to demonstrate the level of public and press interest in this project, and therefore the sensitivity and risk to E20 in successfully delivering the project.

APPENDIX A shows images of the proposed design.

APPENDIX B shows the Evening Standard back page spread of 23rd March

Report originator(s): s.40, Assistant Business Manager, E20

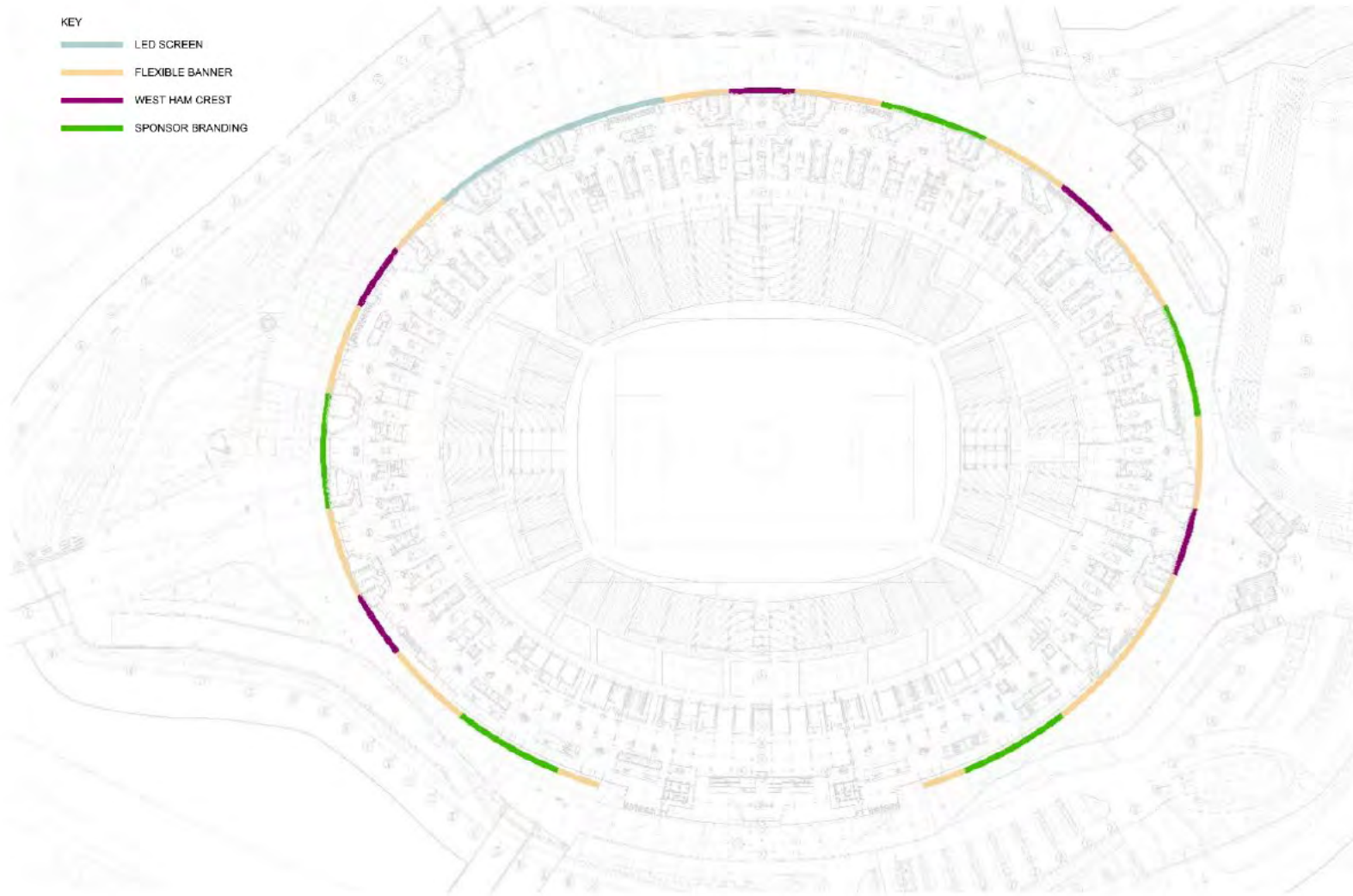
Telephone: 0203 288 s.40

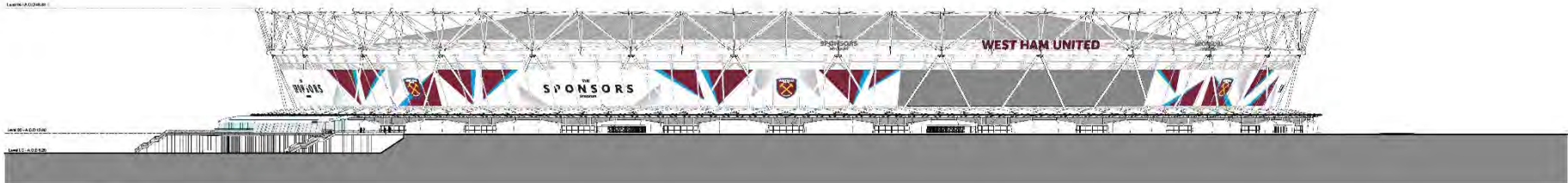
Email: s.40 @e20stadium.com

APPENDIX A

KEY

- LED SCREEN
- FLEXIBLE BANNER
- WEST HAM CREST
- SPONSOR BRANDING





EAST ELEVATION SCALE 1:600



NORTH ELEVATION SCALE 1:500



APPENDIX B

HAMMERS PLAN FOR THE 'BIGGEST SCREENS' IN EUROPE

IT'S only a few months away now and this is what West Ham fans are likely to see as they approach their new home at the Olympic Stadium in August for the first game of next season, writes Ken Dyer.

This artist's impression shows the giant digital screens that will be the largest in Europe, say the club - measuring 87m by 12m - and

will show clips of West Ham heroes past and present as well as information and promotional material.

Plans for the new wrap have been submitted which, if approved, will "set a new benchmark in world stadia", according to West Ham.

The new, improved plans replace a previously submitted application

and the club are confident that the screens will remain "at an optimum level for day or night games in any weather condition".

The new plans also include provisions, Olympic legacy-inspired Claret and Blue shades, the club's crest and colours and would, say the club, "provide immense benefit to all partners of the stadium" as

they would be used in events throughout the year. The new screens, if approved, are expected to be installed before West Ham's opening Premier League match.

Meanwhile, West Ham's FA Cup quarter-final replay will now be on Wednesday April 13, at 7 pm, a week later than anticipated.

See on BBC's team visit League



Patrick Barclay says Elton must go ahead despite Belgian horror
Page 56

leaders Leicester four days later. Hammers co-chairman David Sullivan has admitted his admiration for Liverpool striker Christian Benteke but said: "The problem is he is on such a huge wage, no club can afford him."

Benteke, who has been unable to command a regular place at Anfield, is thought to be on £20,000 a week.



Item: Agenda item 8
Subject: Stadium Transformation Update
Meeting date: 30 March 2016
Report to: E20 Stadium LLP Board
Report of: Colin Naish, LLDC Executive Director of Stadium

1. Summary

- 1.1. Transformation works are progressing well, with good progress made on the hospitality fit-out, the community track, the car parking and broadcast compound external works, the away fan segregation works and the installation of the Desso pitch.
- 1.2. The seating system is now back in athletics mode, allowing Balfour Beatty access the track to progress the Mondo track surface replacement works. Direct appointments are being put in place for contractors to transition the seats ready for West Ham's first game in August 2016 and planning is underway for the procurement of the new longer term seating transition contractor for 2017 onwards, with the potential for this contract to be novated to the Operator in due course.
- 1.3. In parallel with the ongoing dispute resolution process, E20 has instructed the power upgrade works to the hospitality catering and kiosk areas. Whilst the cabling will be complete in time for the concert, final connections cannot be made without disrupting ongoing electrical commissioning works and therefore a generator solution will be deployed for the 4th June concert, as it was for last Summer's events, with the final connections to the stadium's permanent power supply being made prior to July's Diamond League Athletics event.
- 1.4. s.43 recent progress made closing out compensation events with Balfour Beatty has brought an increased level of cost certainty to the anticipated final cost of transformation; however, areas of cost risk for both LLDC and E20 remain. For LLDC, cost risk is related to the potential for delay and disruption claims from Balfour Beatty. For E20, cost risk is related to the catering power upgrades to meet the Operator's needs and the outcome of the associated E20/LS185 disputed cost process.
- 1.5. With the 27th May contract completion date likely to be subject to claims for extension of time, and in any case the limited time to facilitate a full handover to LS185 prior to the 4th June concert, the pragmatic solution is for Balfour Beatty to provide the concert hard FM services and handover to the Operator be effected later in June, in good time for the Diamond League Athletics in July.

2. Recommendations

- 2.1 The Board/Committee members are invited to:
- 2.2 **NOTE** that, in parallel with preparing for the procurement of the new longer term seating transition contractor for 2017 onwards, direct appointments are being put in place for contractors to transition the seats ready for West Ham's first Game in August 2016.
- 2.3 **NOTE the** approach to catering power upgrade works being carried out in parallel with the ongoing E20/LS185 dispute resolution process.
- 2.4 **NOTE** the areas of remaining cost risk for both LLDC Transformation and E20.

3. Retractable Seating System

- 3.1. Since the last E20 Board meeting in January, E20 have agreed and signed **s.43** [REDACTED] Sapa will deliver a complete athletics mode installation by the end of May 2016 (incorporating the concert mode super-gangway modifications) ready for the 4th June concert, and deliver the outstanding football mode components by the end of June 2016
- 3.2. In consultation with the LLDC and LBN procurement officers, a decision has been reached on the need to make direct appointments with the incumbent Sapa transition subcontractors ESG and PHD to undertake the remaining transition for the 2016 events programme. This is because the time required for an open competition would significantly increase the risk of failure to achieve the initial seating transitions by the required dates, and because the Operation and Maintenance information produced by Sapa to date is known to require testing and validation before it can be readily used as the basis for a long-term incentivised contract.
- 3.3. The benefits of this approach for the 2016 transition from concert/athletics mode to football mode is as follows:
 - Maintains the current strategy of setting up incentivised contract to deliver the optimum transition time, but secures appropriate resource for immediate transitions (E20 secures contractors which have first-hand knowledge of the seating system, de-risking the first transition window)
 - Gives E20 a better view of the potential pre-tender estimate, prior to entering into public procurement for the long term contract
 - Enables the condition and operability of the installed structures to become known before E20 enters into a long-term contract
 - Enables a more robust procurement for the longer-term contract;
 - Helps avoid E20 entering into a contract that is known will change at the outset
 - Increases general certainty which helps protect the integrity of the future contract, including relationships and driving a collaborative culture, and
 - Enables a long-term contract to be based on a firmer commercial footing (target / fixed cost can be achieved and incentivisation modelled more accurately)
- 3.4. The longer term strategy remains to enter into a five-year contract with a contractor to undertake incentivised seating transition moves for pitch and athletics modes and ad-hoc bespoke moves to as required to facilitate additional events. A key part of the strategy is that the contractor is to be incentivised to achieve the transition as quickly as possible to support LS185 taking responsibility for the seating transitions.
- 3.5. The seating transition delivery plan remains as follows:
 - Sapa transitions the North, South, East and West Stands into track mode to reveal the Mondo track (now complete)
 - Balfour Beatty remove existing Mondo track, make the undersoil heating connections and construct the western jump pits
 - **s.43** [REDACTED]
 - Summer 2016 Seating Transition Contractors appointed (April 2016)
 - Balfour Beatty lay new track
 - Concert (4 June 2016)
 - East Stand (including mid-tier infill) transitions to pitch mode
 - GNLR (17 July 2016)
 - Diamond League (22/23 July 2016)
 - North, South and West Stands transition into pitch mode, ready for
 - WHUFC's first game in the Stadium (6 August 2016)

- Appoint long term seating transition contractor by December 2016

4. Remaining Works

- 4.1. The remaining works are progressing well. Outside the bowl the tarmac has been laid on the community track in preparation for the Mondo track surface to go down. Works on the north of the podium are underway to facilitate the installation of the Olympic Bell and Bobby Moore Statue before the fanstallation can be installed and the surface dressing of the podium is completed. Progress is being made with the blue badge and general parking areas.
- 4.2. Within the bowl the Desso has been installed into the field of play and is ready for grass seeding. The seats are fully retracted to reveal the jumps and the full track. Balfour Beatty's remaining work in this area is to install the new jumps to the west of the track and lay the new Mondo track surface. This work is due to be complete before the concert with track markings being painted post-concert in June.
- 4.3. In the West Stand Hospitality areas, whilst a scope gap between Balfour Beatty and E20's fit-out contractor Portview in relation to the preparation of the floor slab on podium level and Balfour Beatty's commercial issues with their M&E subcontractor have both caused some delay, all lounges and boxes are on programme to be operational for the concert. Portview have also been appointed by West Ham to undertake their fit-out works in the Directors Lounge. The Directors Lounge is one of West Ham's leased areas, but as Portview were Principal Contractor in the West Stand, the practical solution was for Portview to undertake the fit-out of the area. Elsewhere, West Ham have engaged Stoneforce for their works to fit-out the concessionaire lease areas such as the shop, warehouse and offices, which are on programme with West Ham aiming to open their shop in June.
- 4.4. In parallel with the disputed cost resolution process, E20 have instructed permanent power upgrades to be incorporated into the scope of transformation works. These upgrades will be delivered in two phases so as not to compromise the ongoing electrical commissioning works; the cabling in the west stand will be complete first to enable the Portview fit-out of these areas. For the concert the cables will be connected to the redeployed temporary event generators, as used for the summer 2015 events. Following the concert final connections to the stadium permanent power will take place.

5. Cost Risk

- 5.1. With much of Balfour Beatty's high risk construction activities now complete, and with the Balfour Beatty Supplemental Agreement addressing the cost of the compression truss strengthening and associated acceleration required to achieve RWC and the Diamond League acceleration instruction agreeing the cost of the further acceleration from RWC to Diamond League, and now with the **s.43** finalising seating transition costs to go, the residual cost risk now rests with the completion and closeout of the Balfour Beatty contract and its interface with the Sapa seating installation, and with the completion and closeout of the Portview's hospitality fit-out contract and WHUFC's own fit-out works.
- 5.2. A further significant step has been taken with Mace now having reached agreement with Balfour Beatty on all open Project Mangers Instruction's (PMI's), Compensation Event's (CE's) and Notice for Compensation Event's (NCE's) to the end of January 2016, including costs on the hospitality building services second-fix that needed to be brought forward ahead of the Portview fit-out works in order to facilitate the 2015 summer events, all in line with the Tier 1 Commercial issues tracker contingency allowance.
- 5.3. Whilst the closure of these PMI's, CE's and NCE's addresses the related capital cost, there remains the possibility that Balfour Beatty are able to substantiate associated delay and disruption claims leading to extensions of time to the 27 May 2016 contract completion date, along with associated extension of time related costs. Clearly any concert event related critical works cannot go beyond the end of May and targeted acceleration instructions may be required.
- 5.4. For LLDC, transformation cost risk is related to the potential for delay and disruption claims from Balfour Beatty as a result of:

- the late access to the Mondo track surface as a result of the delayed Sapa seat transition
- the existing condition of the building services and hospitality related commissioning works
- the need to accelerate event critical works for the 4th June concert.
- any new claims that may arise

5.5. For E20, transformation cost risk is related to

- the capital cost and extension of time related cost needed for catering power upgrades to meet the Operator's needs
- the outcome of the associated E20/LS185 disputed cost process.

6. Programme

- 6.1. As at the date of this Board meeting, there remains eight weeks to go to the planned contract completion on the 27th May. The T-minus handover process has commenced with the Operator participating.
- 6.2. With the contract completion date likely to be subject to claims for extension of time, and in any case the limited time to facilitate a full handover to LS185 prior to the 4th June concert, the pragmatic solution is for Balfour Beatty to provide the concert hard FM services and handover to the Operator be effected later in June, in good time for the Diamond League Athletics in July.

Appendices

Appendix A – Monthly Transformation Dashboard – February 2016

Report originator(s): Colin Naish

Email: colinnaish@londonlegacy.co.uk

S.43

Subject: E20 Access to Tickets for Stadium Events

Meeting date: 30 March 2016

Report to: E20 Stadium LLP Board

Report of: Alan Skewis, Director, E20 Stadium LLP

1. SUMMARY

1.1. This paper sets out the details of tickets available through the Concession Agreement with WHU and how E20 accesses tickets to other events. It recommends that E20 take the full allocations in the initial year of the stadium permanent opening.

2. RECOMMENDATIONS

2.1. The Board is invited to:

2.1.1. **AGREE** to take it a full significant allocation of WHU tickets, and a significant allocation for other stadium events in 2016/17

2.1.2. s.43

2.1.3. **NOTE** that LBN will progress independently with the separate 100,000 tickets for local residents for WHU games

3. OVERVIEW

3.1. E20 and its members have been clear that:

3.1.1. they need to have a presence in the stadium on event days. These vary depending on the type of event, but E20 should have someone at every event in the 1st year of full stadium operation

3.1.2. access must be proportional, based on tangible benefit to the business and managed properly.

3.2. As well as the E20 members, there are more significant benefits in allocating ticket access rights to our partners. s.43

4. E20 TICKET RIGHTS FOR WEST HAM UNITED GAMES

4.1. The table below shows what ticket rights E20 has in the Concession Agreement, what was agreed by the previous E20 Director as an allocation after consultation with Members, and what E20 Director recommends we confirm for the period 2016/17.

Type of Ticket	Location (see diagram in Appx 1)	Concession Agreement Tickets per game	E20 Director (Oct 2015)	Proposed for 2016/17	E20	LLDC	LBN	NR	LS185
Executive Box Seat	Box 9	30	10	10	0	0	0	10	0
Club London Hospitality	Londoner (Mid Level) and seats in MO3	0	30	30	0	16	12	0	2
General Admission Lower Tier	Block 102	30	30	30	0	0	0	10	20
General Admission Upper Tier	Block 241 and 242	120	120	120	10	45	15	30	20

4.2. The tickets are available for an expected 22 league and cup games. Additional tickets can be allocated for other games if they exceed 22 in a season in the same way a season ticket holder receives priority access to the tickets.

4.3. A degree of flexibility between E20, LS185, LBN and LLDC will be needed when each party requires more than their “allocation” for a match.

4.4. It is proposed that the organisations would receive the following over a season:

4.4.1. E20 – For E20 partners (0 Hospitality, 220 GA)

4.4.2. LLDC – Allocation to use for LLDC board, senior staff and partners (350 Hospitality, 1,000 GA)

4.4.3. LBN- Allocation to use for Councillors, senior staff and partners (265 Hospitality, 350 GA)

4.4.4. Naming Rights – Allocated for use as the naming rights partner sees fit (220 Box, 0 Hospitality, 800 GA)

4.4.5. LS185 – Allocation to provide LS185 with the flexibility to invite event partners, provide access for second tier sponsors and other guests. The allocation for the hospitality space is light in this regard (44 Hospitality, 900 GA)

5. FINANCIAL OFFSET OF LS185 TICKET PURCHASE

5.1. E20 has no obligation to give LS185 any tickets. However, there is a value on allowing them to use them for partners, second tier sponsors and event promoters. The value of the LS185 tickets to WHU games is c.£50,000 per annum (c.£23,000 hospitality plus £27,000 general admission).

5.2.

S.43

6. UKA EVENTS

- 6.1. The UKA Access Agreement gives E20 the right to buy 30 VIP and 400 general admission tickets for their events. Other than 2017 this is the 2 days of Diamond League and Paralympic sport.
- 6.2. Hospitality
- 6.3. The executive box for the naming rights partner would need to be secured (cost c.£2,000)
- 6.4. Previous discussion with E20 members has identified that E20 should purchase 28 tickets (14 per day) to allow its members and E20 partners to attend. It is proposed that 28 ticket allocation is taken up for the 2016 event.
- 6.5. The current naming rights heads of terms states that the partners has the right to secure an Executive box (practically the same one as for WHU games). This is part of the naming rights activation costs.
- 6.6. This costs c.£10,000 but every effort will be made to secure these places at a reduced cost. It may well be that E20 members get invited to UKA's own hospitality, and this will replace the need to buy 28 tickets.
- 6.7. LS185 would be expected to do its own deal with UK for its access, as it has scope to do so through annual venue hire arrangements. A deal with LS185 to reduce E20 costs is set out in a section below.
- 6.8. General Admission
- 6.9. The UKA Access Agreement gives E20 the right to purchase up to 400 General Admission tickets to E20 for each Athletics event, any Major Championship.
- 6.10. The cost for these tickets would be up to c.£10,000 (at £25 per ticket). It is proposed that 200 are secured for 2016 Diamond League and distributed to E20 (20); LLDC (90); Newham (30); LS185 (30); naming rights (30)


7. E20 TICKET RIGHTS FOR 2017 WORLD ATHLETICS CHAMPIONSHIPS

- 7.1. The agreement for the 2017 IPC and World Athletics Championships give the same access as for Diamond League.
- 7.2. It is recommended that E20 budget for 14 tickets per day for the WAC. This would be 112 tickets at a cost of c.£20,000.
- 7.3. It should be noted that LLDC (through GLA) and LBN are funders of the events, so should expect significant access to the events through this route. This will reduce the need for E20 to secure access for its members.
- 7.4. It is also recommended that the full 400m general admission tickets are secured for the World Athletics Championships, and distributed to E20 (40); LLDC (180); Newham (60); LS185 (60); naming rights (60)

8. E20 TICKET RIGHTS FOR OTHER EVENTS

- 8.1. In the operator contract E20 has the right to purchase 30 VIP and 120 general Admission tickets.

Hospitality

- 8.2. **s.43** 
- 8.3. E20 Members would buy others at a cost of £15,000 (30 VIP for 2 events, – split 40: 20 between LLDC and Newham).

8.4. These are expected to be purchased on an event by event basis, and could be more than 30 if members wished to purchase additional tickets. LS185 will secure their own access through the direct relationship with the event promoter.

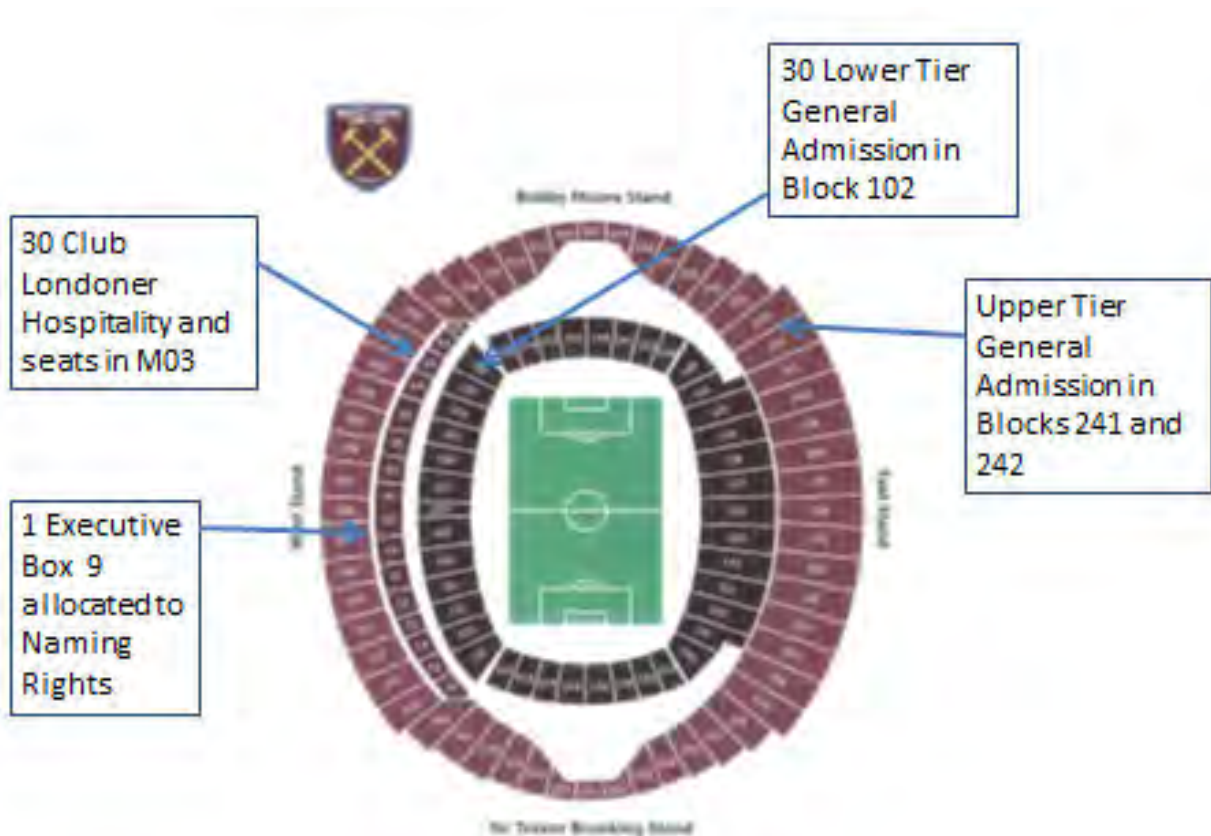
General Admission

8.5. E20 should state that it expected to take its full allocation, but will purchase on an event by event basis.

8.6. For the 2016 events it is proposed that E20 take the full 120 General admission allocation for ACDC and Red Bull Culture Clash. This could cost up to £10,000. The tickets should be allocated to E20 (20); LLDC (60); Newham (20); **s.43**

Appendix:

Report originator(s): Alan Skewis
Email: alanskewis@e20stadium.com



s.43

Legal Position

s.42

s.43

S.43

S.43

Next Steps

S.43

Clause 6.3 of Concession Agreement

6.3 Athletics Events

The Concessionaire agrees that, subject to the Overriding Priority Principle:

- (a) the Grantor is entitled to agree to the UKA's events being held at the Stadium;
- (b) UKA may use the Stadium and the UKA's events shall take place during the Athletics Window each year;
- (c) if any Events are staged at the Stadium during the Athletics Window:
 - (i) the Grantor will provide the Stadium in Athletics Mode;
 - (ii) the Concessionaire shall not be entitled to any claim for compensation, entitlement or any other form of relief if the Stadium is not provided in Football Mode;
 - (iii) other than during the Athletics Window in the year 2016, the Grantor shall use reasonable endeavours to provide the Stadium in Football Mode; and
 - (iv) for the Athletics Window in the year 2016, if the Concessionaire is required by its Governing Body to stage an Event during the Athletics Window and the Commencement Date has occurred the Stadium will be provided in Football Mode.
- (d) if the duration of the regular football season prescribed by the Relevant League is moved, so that it conflicts with the Athletics Window in any given year:
 - (i) the Grantor shall use its reasonable endeavours to agree with UKA to amend the dates of the Athletics Window to avoid the conflict; and
 - (ii) if the conflict cannot be avoided the Grantor shall use its reasonable endeavours to provide the Stadium in Football Mode;
- (e) in the event of any Major Championship Event being held at the Stadium (pursuant to a request from the Grantor in accordance with paragraph (a)) the Grantor may be required to adapt the Stadium layout on a temporary basis so that the Stadium will have a capacity of less than the Agreed Capacity on Event Days, provided that the Grantor must provide not less than nine months' notice of the date that the Stadium layout will have been converted for the three weeks prior to, and the two weeks subsequent to, the relevant Major Championship Event, and will restore the Stadium in a Fit and Proper Condition to the Agreed Capacity as soon as reasonably practicable and in any event within the time stipulated in the Agreed Event Calendar; and



E20 Stadium LLP – Board Meeting (Teleconference) 15.04.16
Exempt Information: This Board Pack is exempt from disclosure pursuant to Section 43 of the Freedom of Information Act 2000, in that it contains commercially confidential information.

E20 STADIUM LLP BOARD MEETING

BOARD PACK

Date: 15.04.16
Time: 14:30-15.30
Venue: Teleconference

Contents

1. Agenda
2. Naming Rights Paper (agenda item 1)
3. Appendix 6 – Original TM Heads of Terms Feb 2016 (agenda item 1)
4. Additional paper on financial impact of naming rights (agenda item 1)
5. Disputed Costs update and settlement position (agenda item 2)

Agenda

Meeting: E20 Stadium LLP

Date: 15.04.16

Time: 2.30pm – 3.30pm

Meeting Venue: Teleconference (dial in details tbc)

Member Representatives Expected:

David Edmonds (LLDC and Chair), David Gregson (LLDC), Nicky Dunn (LLDC), Katharine Deas (NLI), Lester Hudson (NLI)

(Ex-Officio Members) David Goldstone (LLDC), Kim Bromley-Derry (NLI)

Also Expected:

Alan Skewis (E20), Martin Gaunt (E20), Brian Jokat (E20), s.40 (E20), Colin Naish (LLDC), Gerry Murphy (LLDC).

Agenda Items

1. Naming Rights
2. Disputed costs with LS185

Subject: Naming Rights

Meeting date: Conference call planned for 15 April 2016

Agenda Item: 1

Report to: E20 Stadium LLP Board

Report of: Alan Skewis, Director of E20 Stadium LLP

1. SUMMARY

- 1.1. This paper provides an update on the position on naming rights, following an offer from Tech Mahindra. It focuses on this offer, but for completeness includes an update on the options if Tech Mahindra does not proceed.
- 1.2. Assuming the negotiations proceed positively heads of terms will be signed by the end of April, and a full deal completed by the end of May.

2. RECOMMENDATIONS

2.1.



S.43

3. TECH MAHINDRA OFFER

3.1.

S.43

3.2.

s.43

3.3.

s.43

3.4.

S.43

3.5.

s.43

3.6.

S.43

s.43

3.7.

S.43

4. EVALUTION OF THE OFFER

4.1.

s.43

4.2.

s.43

4.3.

s.43

4.4.

s.43

4.5.

s.43

5. NET FINANCIAL IMPACT ON ACCEPTING THE NAMING RIGHTS DEAL

S.43

6. STADIUM WRAP

6.1. S.43

6.2. S.43

s.43



S.43

S.43

Appendix 3: Comparison of Performance Bonus Income

S.43

S.43

S.43

S.43

S.43

S.43

S.43

S.43

S.43

Appendix 6 – Original Heads of Terms senty to Mahindra, February 2016 (see separate attachment)

Subject: Naming Rights – Additional Paper on Financial Impact

Meeting date: Conference call planned for 15 April 2016

Agenda Item: 1

Report to: E20 Stadium LLP Board

Report of: Martin Gaunt, Business Manager, E20 Stadium LLP

1. SUMMARY

1.1. s.43



2. RECOMMENDATIONS

2.1. s.43



3. BUSINESS PLAN BASELINE vs LATEST ASSUMPTIONS

3.1. s.43



S.43

3.2.

S.43

The E20 Business Plan 10 year forecast, as agreed on 30 March 2016

£000s	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	10 year total
Operator (LS185)											
Fixed costs	-5449	-6233	-6420	-6612	-6811	s.43					
Net Commercial Revenues	2583	6159	6896	7118	7346						
Total LS185	-2865	-74	476	505	536						
Naming Rights											
Gross naming rights income	s.43										
Naming rights agency and consultant fees											
Partner activation											
West Ham share of naming rights income											
Total Naming Rights											
Other operating income and costs											
Fanstallation	200	0	0	0	0	0	0	0	0	0	200
Asset disposal	100	0	0	0	0	0	0	0	0	0	100
Net income from the wrap	100	103	106	109	113	116	119	123	127	130	1146
UKA contribution to track	35	36	37	38	39	41	42	43	44	46	401
West Ham performance payments	0	191	0	202	0	214	0	228	0	241	1076
West Ham share of catering revenues	s.43										
Retractable seating movement											
Total Other operating income and costs											
Staffing											
Director	-132	-136	-140	-144	-149	-153	-158	-162	-167	-172	-1513
Business Manager	-82	-84	-87	-89	-92	-95	-97	-100	-103	-106	-935
Assistant Business Manager	-49	0	0	0	0	0	0	0	0	0	-49
PA & Team Administrator	-36	-37	-38	-39	-41	-42	-43	-44	-46	-47	-413
Transformation Interface Manager	-15	0	0	0	0	0	0	0	0	0	-15
Contingency	-20	0	0	0	0	0	0	0	0	0	-20
Staff expenses	-5	-5	-5	-5	-6	-6	-6	-6	-6	-7	-57
Total Staffing	-339	-262	-270	-278	-287	-295	-304	-313	-322	-332	-3003
Overheads											
LLDC Member Services	-124	-127	-131	-135	-139	-143	-148	-152	-157	-161	-1417
Estate charge payable to LLDC	-252	-303	-305	-308	-311	-314	-317	-319	-322	-325	-3076
Estate charge payable by school to E20	0	61	101	121	131	141	143	144	145	146	1133
Business rates	-1500	-1854	-1910	-1967	-2026	-2087	-2149	-2214	-2280	-2349	-20335
Insurance	s.43										
Brand and marketing											
Legal advice	-40	0	0	0	0	0	0	0	0	0	-40
Legal advice	-80	-52	-53	-55	-56	-58	-60	-61	-63	-65	-603
Accounting advice	-50	-30	-31	-32	-33	-34	-35	-36	-37	-38	-355
External audit fees	-26	-20	-21	-21	-22	-23	-23	-24	-25	-25	-229
Transport advice	-134	-60	-60	0	0	0	0	0	0	0	-254
Technical advice	-50	0	0	0	0	0	0	0	0	0	-50
Total Overheads	-70	-72	-74	-76	-79	-81	-84	-86	-89	-91	-802
E20 net position before depreciation	s.43										
Depreciation (lifecycle investment)											
E20 net position after depreciation											

The E20 Business Plan 10 year forecast, adjusted to reflect the latest naming rights assumptions. No other adjustments have been made.

£000s	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	10 year total
Operator (LS185)											
Fixed costs	-5449	-6233	-6420	-6612	-6811	-7015	-7226	-7442	-7666	-7896	-68768
Net Commercial Revenues	2583	6159	6896	7118	7346	7567	7794	8028	8268	8516	70275
Total LS185	-2865	-74	476	505	536	552	568	585	603	621	1506
Naming Rights											
Gross naming rights income											
Naming rights agency and consultant fees											
Partner activation											
West Ham share of naming rights income											
LS185 compensation for connected stadium rights											
Total Naming Rights											
Other operating income and costs											
Fanstation	200	0	0	0	0	0	0	0	0	0	200
Asset disposal	100	0	0	0	0	0	0	0	0	0	100
Net income from the wrap	100	103	106	109	113	116	119	123	127	130	1146
UKA contribution to track	35	36	37	38	39	41	42	43	44	46	401
West Ham performance payments	0	191	0	202	0	214	0	228	0	241	1076
West Ham share of catering revenues											
Retractable seating movement											
Total Other operating income and costs											
Staffing											
Director	-132	-136	-140	-144	-149	-153	-158	-162	-167	-172	-1513
Business Manager	-82	-84	-87	-89	-92	-95	-97	-100	-103	-106	-935
Assistant Business Manager	-49	0	0	0	0	0	0	0	0	0	-49
PA & Team Administrator	-36	-37	-38	-39	-41	-42	-43	-44	-46	-47	-413
Transformation Interface Manager	-15	0	0	0	0	0	0	0	0	0	-15
Contingency	-20	0	0	0	0	0	0	0	0	0	-20
Staff expenses	-5	-5	-5	-5	-6	-6	-6	-6	-6	-7	-57
Total Staffing	-339	-262	-270	-278	-287	-295	-304	-313	-322	-332	-3003
Overheads											
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Insurance											
Brand and marketing	-40	0	0	0	0	0	0	0	0	0	-40
Legal advice	-80	-52	-53	-55	-56	-58	-60	-61	-63	-65	-603
Accounting advice	-50	-30	-31	-32	-33	-34	-35	-36	-37	-38	-355
External audit fees	-26	-20	-21	-21	-22	-23	-23	-24	-25	-25	-229
Transport advice	-134	-60	-60	0	0	0	0	0	0	0	-254
Technical advice	-50	0	0	0	0	0	0	0	0	0	-50
Lifecycle review											
Event tickets	-70	-72	-74	-76	-79	-81	-84	-86	-89	-91	-802
Total Overheads											
E20 net position before depreciation											
Depreciation (lifecycle investment)											
E20 net position after depreciation											

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Report originator(s): Martin Gaunt

Email: martingaunt@e20stadium.com

5 February 2016

Dear Sirs

Heads of terms: Proposed sponsorship of the Stadium at the Queen Elizabeth Olympic Park (“the Stadium”) – Subject to Contract.

S.43

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Subject: Disputed Costs Settlement

Meeting date: Conference call on 15 April 2016

Agenda Item: 2

Report to: E20 Stadium LLP Board

Report of: Alan Skewis, Director of E20 Stadium LLP

1. SUMMARY

- 1.1. This report provides the E20 Stadium LLP Board (“the Board” or E20) with an update and proposed parameters for settling disputed costs with LS185 at a mediation session on the 20th April 2016.

2. RECOMMENDATIONS

- 2.1. The Board is invited to:
- 2.1.1. **AGREE** that E20 representatives at the mediation have the delegated authority to settle a sum up to £1.15m on behalf of E20 at the mediation, subject to no precedent being set for any future disputes.
 - 2.1.2. **NOTE** that the settlement will be drawn from the £14.286m for additional stadium works, with NLI contributing 35% (maximum £400,000).
 - 2.1.3. **NOTE** that a settlement at this level has been shown to meet NLI’s 10 year positive Net Present Value test.

3. CURRENT POSITION

- 3.1. There are a number of disputed costs with LS185 that are following the formal process for resolution as set out in the Operator Agreement.
- 3.2. The central principle in dispute is whether LS185 could expect a Stadium that has been transformed:
- 3.2.1. to the base specification included in the operator contract they signed with E20 (ie, to the specification in the TWC); or
 - 3.2.2. to a satisfactory quality commensurate with readily delivering the operating services as LS185 has contracted to deliver them, and/ or to a specification in line with comparability with other similar stadiums, as included in the WHU Concession Agreement.
- 3.3. LS185 are claiming the latter. E20 are arguing that LS185 were fully aware of the base specification when they signed the contract, and it was (and is) for them to enhance the base specification to meet the requirements of tenants and event promoters if they now do not consider that the base specification is sufficient.
- 3.4. Consistent with the dispute resolution process in the Operator Agreement, the parties are now in mediation, with a date set for 20 April 2016.
- 3.5. Mediation is intended to get both parties to a position where they can settle. For the mediation to be effective it is necessary for both parties to enter into the process with the

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ability to settle. The E20 representatives at the mediation are Alan Skewis, Katharine Deas and Colin Naish.

- 3.6. The remainder of this report recommends a maximum settlement sum these E20 representatives can agree.

4. EXTENT OF DISPUTED COSTS

- 4.1. Recent work to clarify detail has brought the dispute down to a figure of £2.359m (that may rise to £2.559m). A table showing a breakdown of the costs, and the likelihood of winning in Court is set out in Appendix 1.
- 4.2. They consist of:
- 4.2.1. 2015 Power Costs Completed by E20 (£809,902.61)
 - 4.2.2. 2016 Power Costs To be Completed by E20 (estimated total of £1m-£1.2m)
 - 4.2.3. 2015 Out of Scope Works Completed by Delaware (£549,792)
 - 4.2.4. To be Completed 2016 Out of Scope Works by Delaware (£0)
- 4.3. In parallel, there has been disagreement over the responsibility for the c.£600,000 purchase of 'tractors and grow lights'. LS185 seem to be disputing what E20 believe is a clear position that these are bought by LS185 from the £5.5m FF&E budget. These do not form part of the formal dispute process.

5. FUTURE DISPUTES AND PRECEDENTS

- 5.1. It is important to note that resolution of the dispute does not mean that future disputes may not arise. LS185 are yet to occupy and operate the stadium, and they have been clear that they will raise claims for items they believe are not their responsibility to fund.
- 5.2. There is therefore scope for future disputes **s.43**
- 5.3. This makes resolution of the dispute without prejudice to future disputes important (i.e. without admission of any liability). The recommendation to this report therefore clarifies that this is a parameter the E20 team attending mediation must adhere to.

6. E20 FUNDING SOURCE FOR A SETTLEMENT

- 6.1. Previous E20 Board reports have indicated that the disputes may generate a worst case of £6m of claims on the £14.286m discretionary budget E20 holds. However, it has also been reported that the E20 sum is likely to be less than £2m.
- 6.2. Both members have to justify any such investment.
- 6.2.1. LLDC Investment Committee have agreed that a settlement from the £14.286m funds is acceptable to them, as long as it can be justified commercially.
 - 6.2.2. NLI have a specific 10 year NPV test. Appendix 2 shows that of the current dispute a settlement of up to £1.168m could be justified as generating a positive NPV. Applying the 65%/35% contribution ratio between LLDC and NLI, this would equate to an NLI investment of c.£400k.
- 6.3. The recommendations to this report propose that any settlement funds are drawn from the £14.286m allocation for additional stadium works, but limited to a maximum of £1.15m.

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7. SETTLEMENT OPTIONS

- 1.1. Four options for mediation are set out below. The recommendation to this report is that E20 give those attending mediation the ability to settle up to a figure of £1.15m (Option 2 below).
- 1.2. It is important to stress that the expectation is that the figure will be lower than £1.15m. However, it gives those attending the ability to adjust to developments during the mediation process. These could include:
 - 1.2.1. Adjustments to the 2016 power works from the current estimate;
 - 1.2.2. Inclusion of any 2016 Catering works by LS185 at the mediation session;
 - 1.2.3. Inclusion of the tractors and grow lights in the dispute;
 - 1.2.4. Weaknesses in the E20 arguments coming to light during the mediation.
- 1.3. Members should note that a combination of the above could result in it being in E20's interests to settle at a figure above £1.15m. If this were the case, the E20 representatives could not settle at the mediation session. They would need to return to the E20 Board with an alternative recommendation for approval after mediation. This would not be on the day of the mediation.

Option 1: No Settlement

- 1.4. E20 could state that LS185 have to meet all the disputed costs. This is the position at present (and is E20's formal, open position, based on the operator agreement), and should be the starting point for the mediation session. However, it gives no room for negotiation, and is not supported by the Appendix 1 assessment of the position if E20 goes to Court.
- 1.5. Therefore this option is not recommended.

Option 2: Settlement at up to £1.15m of the Disputed Costs

- 1.6. Appendix 1 sets out the relative probability of the court finding in E20's favour. This generates a potential settlement range of c.£1.15m to £1.545m.
- 1.7. It should be noted that as the principal issue is the same for all the items in the dispute, it is likely that E20 will either win or lose the dispute on all the items. This means that in practice E20 will either pay 100% or 0% if it goes to court.
- 1.8. The figure is additionally supported by the fact that:
 - 1.8.1. The 10 year NPV test that NLI applies to its investments supports an E20 settlement of up to £1.15m.
 - 1.8.2. It is below 50% of the total disputed costs.
 - 1.8.3. Settling at mediation avoids further legal costs of going to court (estimated that the costs could be over £500k for each of E20 and LS185).
 - 1.8.4. £1.15m is below the 2015 costs total of £1.65m. The 2015 costs could be argued to be "one off" as they related to the Rugby World Cup. E20 could then argue that they do not set a precedent for the permanent works carried out in 2016.

Option 3: Settlement above £1.15m (e.g. £1.545m or over 50% of the maximum level)

- 1.9. A higher figure than £1.15m is not recommended as:
 - 1.9.1. It is above the figure the E20 representative should be able to argue at mediation.

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- 1.9.2. It cannot meet the NPV test that NLI applies to its investments.
- 1.9.3. It becomes difficult to argue the 2015 “one off” costs item, as E20 would be paying the vast majority of these costs.

Option 4: Settlement at 100% of the Disputed Costs

- 1.10. E20 would not be able to justify this as it does not reflect the chances of winning in court, cannot meet the NPV test and would set a dangerous precedent for E20 going forward.

Appendices

Appendix 1 – Assessment of Probability of Winning in Court (Confidential & Legally Privileged – in contemplation of litigation)

Appendix 2 – NPV Assessment

Report originator(s): Alan Skewis

Email: alanskewis@e20stadium.com

S.43

Appendix 2: Net Present Value Analysis: Disputed Costs

S.43

Agenda

Meeting: E20 Stadium LLP
Date: 26.05.16
Time: 10am-12pm
Meeting Venue: Newham Dockside, London Borough of Newham

Member Representatives Expected:

David Edmonds (LLDC and Chair), David Gregson (LLDC), Nicky Dunn (LLDC), Lester Hudson (NLI)

(Ex-Officio Members) David Goldstone (LLDC), Kim Bromley-Derry (NLI)

Also Expected:

Alan Skewis (E20), Gerry Murphy (LLDC), s.40 (E20); Martin Gaunt (E20); s.40 (E20); s.40 (NLI), s.40 (LB Newham), Mark Camley (LLDC)

Apologies:

Katharine Deas (NLI), Colin Naish (LLDC),

Agenda Items

1. Welcome and Apologies
2. Minutes of the meetings held on 30 March 2016 and 15 April 2016
3. E20 Director Update
4. Disputed Costs Settlement
5. Naming Rights
6. Secondary Marketing Rights
7. Transformation Update
8. Capital Investments:
 - a. Stadium Dressing
 - b. Void Treatment
 - c. Synthetic Track Cover and Seat Transition Protection (paper to follow)
9. Tickets for Stadium Events in 2016-17
10. E20 Pension Scheme (paper to follow)
11. AOB

Date of the next meeting: *The next meeting will be held on 23rd June 2016 at LLDC*

Subject: E20 Director Update
Meeting date: 26.05.16
Agenda Item: 3
Report to: E20 Stadium LLP Board
Report of: Alan Skewis, Director of E20 Stadium LLP

1. SUMMARY

- 1.1. This report provides the E20 Stadium LLP Board (“the Board” or E20) with an update from the Director and E20 team on various work streams. This report, and future reports from this Director will focus on the key risks and opportunities facing E20.
- 1.2. They provide a context for decisions included in other reports. Of particular note are the commitment of close to £8m of the £14.2 discretionary funds at the E20 Board; issues with Legatum Academy and the fragility of E20 finances.

2. RECOMMENDATIONS

- 2.1. The Board is invited to:
 - 2.1.1. **NOTE** the report
 - 2.1.2. **AGREE** that the Legatum Academy lease should be progressed and signed on condition it is consistent with E20 Member interests

3. DIRECTOR OVERVIEW

- 3.1. The priorities for E20, based on a risk analysis are as follows, with changes shown in Bold:
 - 3.1.1. Financial position required further Member contributions (Red)
 - 3.1.2. Non-delivery of naming rights (Red)
 - 3.1.3. Disputed Costs (Red)
 - 3.1.4. Stadium Readiness in August 2016 (Red)
 - 3.1.5. Access to Stadium Site during Legatum Academy Construction period (**Red, New**)
 - 3.1.6. Liability for retractable seating (Amber)
 - 3.1.7. Operator Performance (Amber)
 - 3.1.8. Managing stakeholders and tenants, especially WHU (Amber)
- 3.2. The direction of travel on most of the risks is positive, but a number of items remain Red.

4. FINANCIAL POSITION

- 4.1. E20 has finite resources, and has to match very significant risk and liability with huge aspiration and pressure from its operator, WHU and shareholders. E20 is in a perilous financial position that requires it to return to its members for significant working capital.

- 4.2. An assessment of the financial impact of Board recommendations is set out in Appendix 2. It shows that if the recommendations in the May 2016 E20 Board papers are agreed, and a £2m contribution to working capital remains, all these funds will be committed.
- 4.3. Additionally, a recent draft stadium valuation below £40m, and increased working capital needs from LLDC and NLI, place E20 under further financial pressure.

5. NAMING RIGHTS

- 5.1. A separate paper deals with naming rights.

6. DISPUTED COSTS

- 6.1. A separate paper deals with settling the disputed costs.

7. STADIUM READINESS IN AUGUST 2016

- 7.1. As reported to the last Board there is an increasingly limited time period before initial opening in June and then full operations from mid-July. The recent extension of time for Balfour Beatty to July 13th intensifies the time period where final fit out and occupation can be achieved. Appendix 1 sets out the milestones over the coming weeks.

- 7.2. A close working relationship between BB, LS185, E20, LLDC and WHU is needed to make matters work. Highest risk areas are:

- 7.2.1. Retractable Seats not in place for 7 August game (Red)

- 7.2.2.

s.43

- 7.2.3. Incidents at last West Ham home game sparking a change in attitude from Westfield to football and use of their estate for ingress and egress (Red)

- 7.2.4. Lack of clarity between LLDC transformation, E20 and LS185 scope means that items are not ordered in time, or simply assumed to be provided by another party (Amber)

- 7.2.5. No external dressing on the stadium (Amber for end August, Red for end July)

- 7.2.6. Criticism from West Ham United regarding not in occupation of offices and opening ticket office to their aspirations (Amber)

- 7.2.7. Inability to host a high profile Shell Conference at the end of June (Amber)

- 7.2.8. Food and beverage offer not up to standard, although commissioning the additional electricity works reduces this risk (Amber)

- 7.2.9. No “voids” solution – see separate paper (Amber)

- 7.2.10. Stadium not functional for 4 June 2016 (Green)

- 7.3. The above risks will continue to be monitored, and it is crucial that they are either managed out or reputational damage is limited. In this regard:

- 7.3.1. The E20 Chair has met WHU to explain the Balfour Beatty extension, and the implications

- 7.3.2. E20 have been clear that the stadium dressing may not be in place for the 7 August. **s.43**

- 7.3.3. A paper on the voids is presented to the May E20 Board

7.3.4. Regular sessions are being held to confirm the scope of works meets stadium needs, and the right organisation is ordering the items required

7.4. However, Members are asked to note that it will take some time to get achieve the final operational state of the stadium, and there will be a number of areas incomplete at the time of the first WHU game on the 7 August.

8. RETRACTABLE SEATS

- 8.1. This remains the highest short and long term operational risk items for E20. The seating system installed as part of the transformation works is not delivering to the expectations set out when E20 agreed the approach in December 2013. The various financial issues with the contractors has heightened this concern.
- 8.2. E20 will not accept handover of the retractable seating system from LLDC transformation in 2016. Instead LLDC will manage the seat moves. As reported above, the move from athletics to football in late July/early August is a massive risk. Equally concerning is the £3m cost that LLDC are incurring for the seat moves in 2016, 10 times above the budgeted figure E20 has in its business plan once it accepts hand over of the seating system.
- 8.3. The only option is to continue with the LLDC transformation plan in 2016. However, a review of the system in September 2016 is needed. This could include options to abandon the current system in favour of something that works more effectively in terms of turnaround and cost.

9. OPERATOR

- 9.1. The LS185 business plan was signed off in March 2016. The figures were below the LS185 bid levels, and continued pressure is needed to ensure they commercialise the stadium. These figures are under further pressure from various sources, including Westfield's concerns over being paid for stewarding and arrangements on WHU match days.
- 9.2. LS185 have supplied KPIs for April (Appendix 3). There are no surprises in this, but the lack of progress on the employment and skills and community plan is a concern. While understandable that LS185 are focused on operational issues this is lagging behind other activity.
- 9.3. Wider issues with LS185 are covered in the disputed costs paper.

10. KEY STAKEHOLDERS

- 10.1. Stakeholder relations remain time consuming and complex.
- 10.2. By far the most challenging remains WHU. On-the-ground and high level relationships are improving. More regular meetings between the E20 Chair and Karren Brady are also assisting in confronting issues and agreeing a way forward.
- 10.3. London 2017 has undergone significant change recently, and this increases risks relating to the expertise and focus on the London 2017 event. The new London 2017 team are, however, developing good working relations with LS185.

LEGATUM SCHOOL AND RICK ROBERTS WAY

- 10.4. Legatum Secondary School will receive planning consent on 24 May 2016. E20 will have a direct lease and relationship with Legatum Academy, who will start on site later in August 2016.
- 10.5. The focus for recent work has been on protecting LS185 access to the stadium on event and non-event days during construction.
- 10.6. These challenges should not be underestimated with an expectation of day-to-day site access issues for LS185 and WHU. However, Members should note there are fundamental issues over access to the site to set up concerts, seat moves and operation of the London

2017 events next year. The lease between E20 and DRET is seeking to protect E20, but this jars with the LLDC-EFA timelines and budget constraints.

- 10.7. There are also issues over the schools agreement to honour commitments to the school sports day commitments made in the E20 Members Agreement and the Operator agreement. The E20 Director is insisting the lease is signed consistent with these agreements.
- 10.8. The E20 Board has given delegated authority for the lease to be signed. In tandem the agreement between LLDC, LBN and E20 regarding acceptance of the school on the stadium island site (rather than Rick Roberts Way) has been progressed.
- 10.9. Planning consent on the 24th May 2016, and a previous planning report outlining the intention to relocate the school to the stadium island, makes the prospect of LBN and LLDC having to accommodate a school on the Rick Roberts Way site slim. However, LLDC and LBN should note that the planning does not formally finalise this.
- 10.10. The terms have adjusted from the originally envisaged terms, as shown in the table below.

Original Draft Heads of Terms	Current Proposals	E20 Commentary
£5m by 2032 dependent on development dates	£5m paid in equal instalments between 2020 and 2024	Acceptable The terms are acceptable to E20 as they guarantee payment dates
Potential to secure over £5m depending on development value of Rick Roberts Way	No potential above £5m in return for earlier payment	Acceptable There is a risk that E20 could secure further funds from LLDC and LBN. However, given the circular relations between the parties the proposal is acceptable, especially as E20 gets the £5m at an earlier date than anticipated
E20 expected to ring fence for lifecycle, but not required to do so by LLDC and LBN	E20 required by LLDC and LBN to ring fence funds for lifecycle costs of the stadium	Acceptable E20s intention remains to ring fence, The revised approach does give the parties some legal protections

- 10.11. These terms are acceptable to E20, and it is recommended that they are agreed. A separate E20 lifecycle fund will be created to receive £1m per annum from 2020 to 2024. The E20 Director has raised with members that they could consider using some of the £5m funds to meet working capital requirements.

Appendix 1: Stadium Milestone dates and Activity from May to August 2016

Appendix 2: Summary of Use of £14.2m Funds

Appendix 3: LS185 KPI Dashboard

Key Principles

- 1) **BB retain Primacy on site until completion date**
- 2) **All those on site accept disruption for commissioning testing (fire alarm, electricity etc.)**

Key Milestones

Milestone	Stadium Event Date	Other Milestone Date	Lead	Comment/ Question
Stadium Dressing Planning Application		23 March	E20	Complete
Steel orders for Stadium Dressing		30 April	E20/WHU	Need to order pre planning if going to meet August deadlines
Premises Licence Issued		3 May	LS185	Complete
Last game at Boleyn Ground		12 May	WHU	Complete
Power to kitchens installed		12 May	LS185	Condensed period for LS185 to connect before AC/DC. (Was 24 April 16)
School Planning Application Decision		24 May	LLDC/EFA	
Stadium Dressing Planning Application Determination		24 May	E20	Determination date for the planning application
<i>Primacy School on Sweetwater</i>		<i>TBC Last week May</i>		
<i>Work Starts on Steel for Stadium Dressing</i>		<i>6 June</i>	<i>WHU</i>	<i>Work to be ready to start contingent on the planning application being approved. Work can be at same time as AC/DC bump in at LS185 discretion</i>
Installation of dressing (Wrap)		<i>27 June – 6 August</i>	<i>WHU</i>	<i>Target finish date</i>
Installation of digital screen		<i>11 July – 6 August</i>	<i>LS185</i>	<i>Timeframe subject to supplier selection. Target finish date</i>

AC/DC Concert bump in and FOP exclusive period		28 May – 6 June	LS185	LS185/Concert Promoter primacy on FOP
AC/DC Concert	4 June		LS185	Evening event
Mid-tier LED Installed		Deferred until post August 2016	LS185/WHU	Vinyl on mid-tier to be installed by WHU
East Stand Seat Move		7 June-13 July	LLDC	
Pitch Seeding & maintenance		7 June -7 August	BB/LS185	BB until handover, LS185 post-handover
WHU s.43		7 June – 7 August	WHU	Need agreement that can be done alongside BB works. Limited to concourse and podium, must work around stadium events
Fanstallation Installed & Champions Structure foundations		7 June-13 July	WHU	Planned for June-July period. Need agreement to work at same time as BB
WHU staff move into offices		From 27 June	WHU	Note – BB induction may be required if before 13 July, but try to create PPE free route - BB retain primary until 13 July
London 2017 move its offices		From 13 July	LS185	In community track area
WHU Changing Room Adjustments Made		7 June – end July	WHU	Planned for June-July period. Should seek agreement to work at same time as BB in June
London Marathon Trust Community track opening		Deferred until Sept 2016	E20/LS185	
LS185 install FF&E in rooms		23 May – 3 June (Hospitality areas) 7 June – 22 July	LS185	FF&E (approx. 80%) in place for ACDC
Shell ECO Marathon	30 June – 3 July	28/29 June Bump in		Limited to Hospitality areas

<i>Transformation Completion Date for Stadium</i>		<i>13 July</i>	<i>LLDC-E20-LS185</i>	<i>Provisional date</i>
Go Run for Fun and Great Team Relay	14 July		LS185	Afternoon and evening event.
<i>WHU Ticket office and Shop Open on Stadium Island</i>		<i>14 June (soft opening)</i>	<i>WHU</i>	<i>Later date to allow time for simplicity. WHU want to be in place late June / July. Training and stock from 15 May. WHU concerns as could have no shop for main kit launch. Must work around BB & stadium events.</i>
Great Newham London Run	17 July		LS185	
West Ham 2 nd kit launch		14 or 16 July	WHU/LS185	Interface with handover
Diamond League	22/23 July	18-21 Bump in	LS185	Friday evening, Saturday all day event
North, West and South Stand Seat Move		23 July-4 August	LLDC	Interface with other works
Voids		23 July-4 August	WHU	Sequential after seat moves Target finish date & lower priority. Backstop date first premier league match.
<i>WHU s.43 implemented (Players areas)</i>		<i>25 July-7 August</i>	<i>WHU</i>	<i>WHU planned from mid-June. Can areas be released early for fit out while BB still on site</i>
<i>Pitch Side LEDs installed</i>		<i>25 July-7 August</i>	<i>LS185</i>	<i>Install after DL, interface with seat moves to be managed by LS185. Final position once seats installed.</i>
Champions Sculpture Unveiling		TBC early Aug	WHU	<i>Later date to allow time for simplicity. WHU want to be in place late June / July</i>
Possible Europa League Match (Qualifying Rd)	28 July		LS185/WHU	Stadium mode to be decided
Possible Europa League Match (Qualifying Rd)	4 August		LS185/WHU	Stadium mode to be decided.

WHU Friendly Match v Juventus	7 August KO 13:00		LS185/WHU	s.43
Premier League Match	13 or 20 August		LS185/WHU	s.43 Fixtures out 15 June. Check Friday 12 August possibility.
Secondary School Start on Site		TBC August		Interface issues being addressed by LS185
Learning Zone on site		1 September	LS185	Fit out in August

Reported to 30 March E20 Board

Status	Item	Best Case (£)	Likely Case (£)	Worst Case (£)	Notes	16-May
Provision for additional stadium works		14.286	14.286	14.286		14.286
Allocated or spent	First phase MLB works	-0.742	-0.742	-0.742	Initial investment already spent to facilitate MLB and other sports	-0.742
	Digital wrap design costs	-0.6	-0.6	-0.6	Sunk costs on previous wrap proposal	-0.6
	Widening stadium gangways	-0.74	-0.74	-0.74	Investment already approved	-0.74
	Hard FM Services for 2015 events	-0.673	-0.673	-0.673	E20 Board (30 March) agreed this is allocated in full to E20	-0.673
	IT Active Equipment / switches	-0.316	-0.316	-0.316	E20 Board (30 March) agreed 80% of the £395k cost is attributed to E20	-0.316
	Access to CCTV	-0.04	-0.04	-0.04	Spend to save measure already approved	-0.04
Uncommitted funding remaining		11.175	11.175	11.175		11.175
Funding approved by the E20 Board, but not yet spent	Contribution to track cover/artificial grass, TV studio, goalline technology	-0.064	-0.114	-0.2	Up to £0.114m approved by the E20 Board on 30 March 2016.	-0.114
	Mid tier LEDs	-0.36	-0.36	-0.36	Up to £0.3m approved by the E20 Board on 30 March 2016. Mid tier LEDs only (not upper tier). £60k balance can be met from within provision for "spend to save" measures as below.	-0.36
	Additional "spend to save" measures	0	-0.5	-1	Up to £0.5m approved by the E20 Board on 30 March 2016.	-0.5
Funding remaining		10.751	10.201	9.615		10.201
Items where E20 has limited discretion or control	Disputed costs with LS185	0	-2	-6	Dispute resolution procedure with LS185 ongoing	-2.859
	Airwaves	-0.033	-0.033	-0.033	E20 liability to fund cost above £360k	-0.033
	2016-17 additional working capital requirement, including Naming Rights shortfall	0	0	0	Working capital requirement is such that it no longer looks feasible to fund from the £14.286m budget.	-2
Funding remaining		10.718	8.168	3.582		5.309
Discretionary items	s.43					
	IPTV	0	-0.25	-0.25	Responsibility between transformation and E20 tbc	-0.25
	Pitch side LEDs upgrade	0	-0.042	-0.07	E20 may be required to fund upgrade of the size/extent of the LED boards, to satisfy West Ham and LS185 request	-0.042
	Second phase MLB works	0	-0.75	-1.418	LS185 to decide if recommend based on whether this is an attractive event compared to others	0
Funding remaining (negative figure denotes an overspend on £14.286m provision)		5.718	1.126	-5.156		0.017

S.43



S.43



S.43

Subject: Disputed Costs Settlement
Meeting date: 26 May 2016
Agenda Item: 4
Report to: E20 Stadium LLP Board
Report of: Alan Skewis, Director of E20 Stadium LLP

1. SUMMARY

- 1.1. This report provides the E20 Stadium LLP Board (“the Board” or E20) with an update following a mediation session on the 20th April 2016.

2. RECOMMENDATIONS

- 2.1. The Board is invited to:
- 2.1.1. AGREE a settlement of the current dispute of up to £2,900,000 Capital from the £14.2m E20 discretionary fund
 - 2.1.2. AGREE to draw up more detailed proposals on the longer term operation of the stadium, with a focus on the options set out in 6.3.2 and 6.3.2 of this report.

3. CURRENT POSITION

- 3.1. The April 2016 report set out the history to the dispute. For completeness a copy of the report is provided in Appendix 1.
- 3.2. The mediation on the 20th April did not succeed in settling the dispute. Specifically the parties:
- 3.2.1. could not agree a position on the legal contract, with LS185 unwilling to allow the mediator to evaluate the legal position
 - 3.2.2. did not agree a financial settlement
- 3.3. While non agreement of the legal position was not surprising, the lack of funds that LS185 came to the mediation with was. It became clear during the mediation process that Vinci had not given any authority to provide capital or loans to LS185. LS185 were therefore reliant **s.43** [REDACTED] LS185 itself does not have access to capital.
- 3.4. LS185 did seek during the day to provide some capital, but without Board approval which they needed to seek after the mediation.

4. PROPOSAL TO SETTLE DISPUTE

- 4.1. At the end of the mediation session both parties agreed to go back to their Boards with proposals based on the financial parameters in Appendix 2.
- 4.2. Appendix 2 and the Summary table below also show the changes to the proposals since the 20th April. These are:
- 4.3. No Change:
- 4.3.1. **s.43** [REDACTED]

s.43

4.4. Positive:

- 4.4.1. LS185 agreeing to fund the grow lights and other ground maintenance equipment
- 4.4.2. Agreement that any Major League Baseball capital costs would be met as part of a deal with MLB, so no capital requirement from E20
- 4.4.3. s.43

4.5. Negative:

- 4.5.1. s.43
- 4.5.2. s.43
- 4.5.3. Inclusion of E20 payment for £166k IT costs that were not settled but not part of the dispute
- 4.5.4. Adjustments to termination triggers to reflect the settlement.
- 4.5.5. Request for £250k increase per annum for 5 years in fixed costs to cover higher staffing level (see analysis below)
- 4.5.6. s.43

4.6. This paper recommends that E20 settle on all but 4.5.5 and 4.5.6. This is proposed to be replaced with a one off capital payment of £1.375m replaces the LS185 proposals. This:

- 4.6.1. Means E20 are rejecting making a contribution to LS185 fixed costs
- 4.6.2. Is £1,250 less than the LS185 proposal (£2,600-£1,350)
- 4.6.3. Provided LS185 with better cash flow as the £1.35m would be paid in 2016/17 rather than over 5 years. Care would need to be taken to ensure this does not cut across the E20 strategy set out in section 6 of this paper.
- 4.6.4. Would be drawn from the E20 £14.2m capital account, rather than a recurring call on the LS185 and E20 business plans

5. OPTIONS TO SETTLE DISPUTE

5.1. The E20 Board has the following options:

- 5.1.1. Reluctantly accept the proposals to end the current dispute
- 5.1.2. Make a counter proposal to LS185
- 5.1.3. Reject the proposals and continue with the process to Court

5.2. It is recommended that a counter proposal is made, with the adjustments to 4.5.5 and 4.5.6 made.

5.3. The result is set out in Appendix 2, and is summarised below:

	Amount 20 April	Update from LS185 on 14 May	Recommended E20 Capital Funding
	£000s	£000s	
Total Cost	4,059	7,329	6,079

TOTAL met by Non E20 Sources	-2500	3,220	3,220
Remaining for E20 to Pay	1559	4,109	2,859
E20 %	39%	56%	47%
LLDC	1,013	2,609	1,859
NLI	546	1,440	1,000

5.4. The impact on the £14.2m discretionary fund is a change from £1,559k on 20 April 2016 required from E20 to £2,859k. However, the scope of the agreement now includes transfer of the MLB costs, and is therefore £109,000 above the “likely” E20 allocation identified to the January 2016 E20 Board.

	January 2016 Board “Likely Case”(£3m)	March 2016 Board agreed negotiating limit on £2.5m dispute	May 2016 Board	Change to Allocation (Jan to May Board)
Disputed Costs	2,000	1,150	2,859	+859
MLB	750	750	0	-750
TOTAL from £14.286m Discretionary Fund	2,750	1,900	2,859	-109

5.5. An NPV test has been applied to the settlement, and provides a positive figure, albeit it very small and based on a number of assumptions.

6. LONGER TERM OPTIONS

6.1. Outside of the immediate dispute, the issues that have arisen through the process are:

- 6.1.1. The fragile financial state of LS185, and lack of profit they generate from the contract to be able to take the risk on, or raise, capital
- 6.1.2. The lack of commitment of Vinci to LS185
- 6.1.3. The risk that whenever anything requires funds at the stadium LS185 will seek it from E20.

6.2. In this context, E20 may should review the long term sustainability of the contract with LS185. Section 6 below outlines options.

6.3. The E20 Board has the following options, from “do nothing” to very radical:

- 6.3.1. Continue with LS185 as now
- 6.3.2. Continue with LS185 as now, but with contingency plans to change arrangements at any time
- 6.3.3. Seek mutual termination with LS185 now
- 6.3.4. Review and amend the LS185 contract in the Autumn 2016
- 6.3.5. Seek mutual termination with LS185 in 6 months’ time, after the initial opening period
- 6.3.6. **s.43**

6.4. In the case of 6.1.3 and 6.1.4 E20 would then need to decide is it was to:

- 6.4.1. Run in house
- 6.4.2. “Buy” LS185 and run arm’s length, but with LLDC and NLI as the parents rather than Vinci

- 6.4.3. Seek an alternative operator through competition
- 6.4.4. s.43
- 6.5. A headline assessment is set out in Appendix 3, which assesses each option against financial, reputational, legal and operational criteria. This is a headline assessment to assist the board in deciding if it wants E20 staff to look into any of the options in more detail.
- 6.6. It is recommended that:
 - 6.6.1. as a minimum 6.1.2 (contingency plans) are investigated further
 - 6.6.2. discrete conversations are held with Vinci (rather than LS185) about 6.2.2

Appendices

- Appendix 1: Copy of April 15th 2016 E20 Board Paper (attached separately)
- Appendix 2: Summary of Disputed Costs Settlement
- Appendix 3: Headline Assessment of Options
- Appendix 4: Initial assessment of longer term options

Report originator(s): Alan Skewis
Email: alanskewis@e20stadium.com

Appendix 2: Proposals at End of Mediation Session and Subsequent Changes
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	20-Apr	LS185 14 May	Proposal to Exec Group	E20	LS815	Notes
s.43						
s.43						
s.43						
Grow Lights	500	1000	1000	0	1000	LS185 buy, and make economies by doing so along with other Vinci venues. Note that from FF&E so not extra cash
Other Grounds Maintenance	0	220	220	0	220	LS185 from FF&E budget
s.43						
MLB	s.43					
Portable Equipment	275	275	0	0	0	s.43
E20 Contribution to LS185 Fixed Staff Costs	0	1,250	0	0	0	£250k x 5 years proposed. Could accept £250k, £125 for 2 years as part of overall deal or reject and agree the naming rights compensation below Not acceptable to E20
s.43						
s.43						

Appendix 3: Headline Assessment of Options

	Finance	E20 Control reflects Financial Risk	Legal / Legal Costs	Operational Continuity and Safety Risk	Reputation	Political influence / Public Sector Obstacles	Commercial Operation	Total Score
Continue with Contract	Poor, as open to capital liability and no meaningful Vinci support (4)	E20 retain current contract based control (3)	No renegotiation, but chance LS185 terminate and bring claims (6)	LS185 operating OK on ground (8)	No change but risk tat all falls apart at some stage (6)	As now, and advantages of arm's length retained (8)	Current level of operation retained (7)	42
Change Contract to address issues (from October 2016)	Likely to remain poor Vinci support (6)	E20 could increase control in line with risk (6)	Renegotiation, but seek to avoid future LS185 termination and claims (7)	LS185 operating OK on ground (8)	Risk that all falls apart at some stage , but better chance of long term success without upheaval of termination (7)	As now, and advantages of arm's length retained (8)	Aim to improve commercialisation (8)	50
Take over LS185	E20 more directly exposed for financial exposure, but LS185 have little cover now (5)	E20 have high level of control (8)	Buy out involve legal complexity, but limited conflict if mutually agreed buy out (7)	LS185 operating OK on ground and would retain. May be some loss of staff and risks (7)	Risk that all falls apart at some stage , but better chance of long term positive messages without upheaval of termination (7)	Need to shape E20 into arm's length so retain advantages (7)	Risk to level of operation being retained unless keep separation (6)	48
Terminate and run "in house"	E20 more directly exposed financially , but LS185 have little cover now. Unsure on tax efficiency (5)	E20 have direct control (9)	Termination involve lots of legal complexity (4)	Have to build team, although would seek to retain some LS185 staff (5)	Fall out from termination of LS185 (5)	Lose advantages of arm's length organisation and public sector culture (4)	Operation less commercial (5)	37
Terminate LS185 and get other operator s.43	Would seek to negotiate better risk transfer, but not guarantee (6)	E20 retain current contract control (6)	Termination involve lots of legal complexity and new tender process (2)	New operator have to build team. May seek to retain some LS185 staff (6)	Fall out from termination of LS185 and new process embarrassment (3)	Advantages of arm's length retained (8)	Current level of operation retained or improved (8)	39

Appendix 4: Initial assessment of longer term options**If E20 and LS185 were to terminate their agreement, and E20 run the stadium “in house”**

1. **Termination costs:** Assuming E20 retained Delaware North (novated them over to E20), termination costs should be fairly limited. E20 would only be due to pay the amount LS185 have invested to date in the connected stadium (nominal amount at present, rising over the course of the next year to £2m), plus LS185's lost profits (their business plan indicates these are negligible). E20 may also be able to claim back costs from LS185.
2. **Long term stadium revenues:** By running the stadium itself, E20 would no longer lose a share of the revenues to the operator (LS185 currently take a 5% share). As this share is quite small, E20 would only gain a small amount of extra revenue – that is, unless E20 is a much more successful operator than LS185 has been, and secures further events and revenues. E20 would be subject to many of the same constraints that LS185 face (e.g. the seating transition time, the limited summer events window, and the terms of the Concession Agreement), so its ability to transform the revenues the stadium can generate would be limited.
3. **Long term stadium costs:** E20's liability for non-event related running costs is currently fixed – LS185 take the risk/reward on this, though as their latest correspondence on disputed costs indicates, they are nevertheless requesting further funding from E20 for increased fixed costs. On termination, this risk/reward would transfer to E20. E20 may be able to achieve efficiencies, or it may find that services are more expensive sourced from outside the broader Vinci structure. E20 would extricate itself from potential requirements to pay compensation to LS185 for an increased seating transition time, or for (in LS185's view) limiting their secondary sponsorship rights (e.g. by seeking a naming rights partner in the IT category that they own).
4. **Control:** By running the stadium in house, E20 would take full control of the future of the stadium, without reliance on the performance of the operator. Significant concerns have been raised about the performance of LS185 – for instance in relation to their business plan, and their lack of due diligence on (and understanding of) the Operator Agreement
5. **Short-term instability:** Terminating LS185 would cause instability in the short-term and a well-planned, perhaps phased, handback would be essential so as not to jeopardise the operation of the stadium. Transfer of some staff across from LS185 could assist with continuity, and E20 would in any case be keen to permanently retain some of the expertise that exists.
6. **Capacity and experience:** E20 is set up as a small organisation to manage the operator and senior relationships. It is not set up to operate a stadium. Substantial transfer of staffing for this option would be necessary to provide the capacity and experience necessary.
7. **Stadium structure:** E20 running the stadium in house would simplify the management/stakeholder structure of the stadium. The interests of E20, LS185 and tenants are not always aligned, with significant management focus spent on these interfaces.

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Subject: Disputed Costs Settlement
Meeting date: Conference call on 15 April 2016
Agenda Item: 2
Report to: E20 Stadium LLP Board
Report of: Alan Skewis, Director of E20 Stadium LLP

1. SUMMARY

- 1.1. This report provides the E20 Stadium LLP Board (“the Board” or E20) with an update and proposed parameters for settling disputed costs with LS185 at a mediation session on the 20th April 2016.

2. RECOMMENDATIONS

- 2.1. The Board is invited to:
- 2.1.1. **AGREE** that E20 representatives at the mediation have the delegated authority to settle a sum up to £1.15m on behalf of E20 at the mediation, subject to no precedent being set for any future disputes.
 - 2.1.2. **NOTE** that the settlement will be drawn from the £14.286m for additional stadium works, with NLI contributing 35% (maximum £400,000).
 - 2.1.3. **NOTE** that a settlement at this level has been shown to meet NLI’s 10 year positive Net Present Value test.

3. CURRENT POSITION

- 3.1. There are a number of disputed costs with LS185 that are following the formal process for resolution as set out in the Operator Agreement.
- 3.2. The central principle in dispute is whether LS185 could expect a Stadium that has been transformed:
- 3.2.1. to the base specification included in the operator contract they signed with E20 (ie, to the specification in the TWC); or
 - 3.2.2. to a satisfactory quality commensurate with readily delivering the operating services as LS185 has contracted to deliver them, and/ or to a specification in line with comparability with other similar stadiums, as included in the WHU Concession Agreement.
- 3.3. LS185 are claiming the latter. E20 are arguing that LS185 were fully aware of the base specification when they signed the contract, and it was (and is) for them to enhance the base specification to meet the requirements of tenants and event promoters if they now do not consider that the base specification is sufficient.
- 3.4. Consistent with the dispute resolution process in the Operator Agreement, the parties are now in mediation, with a date set for 20 April 2016.
- 3.5. Mediation is intended to get both parties to a position where they can settle. For the mediation to be effective it is necessary for both parties to enter into the process with the

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ability to settle. The E20 representatives at the mediation are Alan Skewis, Katharine Deas and Colin Naish.

- 3.6. The remainder of this report recommends a maximum settlement sum these E20 representatives can agree.

4. EXTENT OF DISPUTED COSTS

- 4.1. Recent work to clarify detail has brought the dispute down to a figure of £2.359m (that may rise to £2.559m). A table showing a breakdown of the costs, and the likelihood of winning in Court is set out in Appendix 1.
- 4.2. They consist of:
- 4.2.1. 2015 Power Costs Completed by E20 (£809,902.61)
 - 4.2.2. 2016 Power Costs To be Completed by E20 (estimated total of £1m-£1.2m)
 - 4.2.3. 2015 Out of Scope Works Completed by Delaware (£549,792)
 - 4.2.4. To be Completed 2016 Out of Scope Works by Delaware (£0)
- 4.3. In parallel, there has been disagreement over the responsibility for the c.£600,000 purchase of 'tractors and grow lights'. LS185 seem to be disputing what E20 believe is a clear position that these are bought by LS185 from the £5.5m FF&E budget. These do not form part of the formal dispute process.

5. FUTURE DISPUTES AND PRECEDENTS

- 5.1. It is important to note that resolution of the dispute does not mean that future disputes may not arise. LS185 are yet to occupy and operate the stadium, and they have been clear that they will raise claims for items they believe are not their responsibility to fund.
- 5.2. There is therefore scope for future disputes **s.43**
- 5.3. This makes resolution of the dispute without prejudice to future disputes important (i.e. without admission of any liability). The recommendation to this report therefore clarifies that this is a parameter the E20 team attending mediation must adhere to.

6. E20 FUNDING SOURCE FOR A SETTLEMENT

- 6.1. Previous E20 Board reports have indicated that the disputes may generate a worst case of £6m of claims on the £14.286m discretionary budget E20 holds. However, it has also been reported that the E20 sum is likely to be less than £2m.
- 6.2. Both members have to justify any such investment.
- 6.2.1. LLDC Investment Committee have agreed that a settlement from the £14.286m funds is acceptable to them, as long as it can be justified commercially.
 - 6.2.2. NLI have a specific 10 year NPV test. Appendix 2 shows that of the current dispute a settlement of up to £1.168m could be justified as generating a positive NPV. Applying the 65%/35% contribution ratio between LLDC and NLI, this would equate to an NLI investment of c.£400k.

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- 6.3. The recommendations to this report propose that any settlement funds are drawn from the £14.286m allocation for additional stadium works, but limited to a maximum of £1.15m.

7. SETTLEMENT OPTIONS

- 1.1. Four options for mediation are set out below. The recommendation to this report is that E20 give those attending mediation the ability to settle up to a figure of £1.15m (Option 2 below).
- 1.2. It is important to stress that the expectation is that the figure will be lower than £1.15m. However, it gives those attending the ability to adjust to developments during the mediation process. These could include:
- 1.2.1. Adjustments to the 2016 power works from the current estimate;
 - 1.2.2. Inclusion of any 2016 Catering works by LS185 at the mediation session;
 - 1.2.3. Inclusion of the tractors and grow lights in the dispute;
 - 1.2.4. Weaknesses in the E20 arguments coming to light during the mediation.
- 1.3. Members should note that a combination of the above could result in it being in E20's interests to settle at a figure above £1.15m. If this were the case, the E20 representatives could not settle at the mediation session. They would need to return to the E20 Board with an alternative recommendation for approval after mediation. This would not be on the day of the mediation.

Option 1: No Settlement

- 1.4. E20 could state that LS185 have to meet all the disputed costs. This is the position at present (and is E20's formal, open position, based on the operator agreement), and should be the starting point for the mediation session. However, it gives no room for negotiation, and is not supported by the Appendix 1 assessment of the position if E20 goes to Court.
- 1.5. Therefore this option is not recommended.

Option 2: Settlement at up to £1.15m of the Disputed Costs

- 1.6. Appendix 1 sets out the relative probability of the court finding in E20's favour. This generates a potential settlement range of c.£1.15m to £1.545m.
- 1.7. It should be noted that as the principal issue is the same for all the items in the dispute, it is likely that E20 will either win or lose the dispute on all the items. This means that in practice E20 will either pay 100% or 0% if it goes to court.
- 1.8. The figure is additionally supported by the fact that:
- 1.8.1. The 10 year NPV test that NLI applies to its investments supports an E20 settlement of up to £1.15m.
 - 1.8.2. It is below 50% of the total disputed costs.
 - 1.8.3. Settling at mediation avoids further legal costs of going to court (estimated that the costs could be over £500k for each of E20 and LS185).
 - 1.8.4. £1.15m is below the 2015 costs total of £1.65m. The 2015 costs could be argued to be "one off" as they related to the Rugby World Cup. E20 could then argue that they do not set a precedent for the permanent works carried out in 2016.

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Option 3: Settlement above £1.15m (e.g. £1.545m or over 50% of the maximum level)

1.9. A higher figure than £1.15m is not recommended as:

- 1.9.1. It is above the figure the E20 representative should be able to argue at mediation.
- 1.9.2. It cannot meet the NPV test that NLI applies to its investments.
- 1.9.3. It becomes difficult to argue the 2015 “one off” costs item, as E20 would be paying the vast majority of these costs.

Option 4: Settlement at 100% of the Disputed Costs

1.10. E20 would not be able to justify this as it does not reflect the chances of winning in court, cannot meet the NPV test and would set a dangerous precedent for E20 going forward.

Appendices

Appendix 1 – Assessment of Probability of Winning in Court (Confidential & Legally Privileged – in contemplation of litigation)

Appendix 2 – NPV Assessment

Report originator(s): Alan Skewis
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Appendix 1: Assessment of Probability of Winning in Court
Confidential & Legally Privileged – in contemplation of litigation

Assuming E20 can stop 2016 Electricity Works				
Item	Cost	% Chance of Winning Dispute	LS185 Weighted Amount	E20 Weighted Amount
2015 Catering	550k	66%	360	190
2015 Electricity	810k	66%	535	275
2016 Power Agreed Commissioned or Irreversible	500k (228k plus 272k)	10%	50	450
2016 Power Not yet commissioned	700	66%	460	240
TOTAL	2,560		1,405 (55%)	1,155 (45%)

Assuming E20 do all 2016 Electricity Works				
Item	Cost	% Chance of Winning Dispute	LS185 Weighted Amount	E20 Weighted Amount
2015 Catering	550k	66%	360	190
2015 Electricity	810k	66%	535	275
2016 Power Commissioned or Irreversible	1200k	10%	120	1080
2016 Power Not yet commissioned	0	66%	0	0
TOTAL	2,560		1,015 (40%)	1,545 (60%)

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ITEM 4, APPENDIX 1: COPY OF APRIL PAPER PROVIDED TO MAY 26TH E20 BOARD.

Appendix 2: Net Present Value Analysis: Disputed Costs

S.43

Subject: Naming Rights Update
Meeting date: 26.05.16
Agenda Item: Naming Rights Update
Report to: E20 Stadium LLP Board
Report of: Alan Skewis, Director of E20 Stadium LLP and Brian Jokat, Naming Rights Client

1. SUMMARY

This report provides the E20 Stadium LLP Board with an update on naming rights.

2. RECOMMENDATIONS

2.1. The Board is invited to **NOTE** the report and consider next steps with ESP.

3. CURRENT POSITION ON NAMING RIGHTS

3.1. **s.43** [Redacted]

3.2. **s.43** [Redacted]

4. MAHINDRA

4.1. **s.43** [Redacted]

4.2. **s.43** [Redacted]

4.3. **s.43** [Redacted]

4.4. **s.43** [Redacted]

IMPACT OF NOT AGREEING A DEAL WITH TECH MAHINDRA

4.5. s.43

s.43

4.6. s.43

5. OPTIONS GOING FORWARD

5.1.

s.43

6. DISCUSSION POINTS

6.1.

s.43

Appendix 1: Heads of Terms

For the attention of: TS Narayanan
Senior Vice President
Tech Mahindra
Floor 3, Ormond House
63 Queen Victoria Street
London EC4N 4UA

10 May 2016

Dear Sirs

Heads of terms: Proposed sponsorship of the Stadium at the Queen Elizabeth Olympic Park (“the Stadium”) – Subject to Contract.

S.43

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Subject: Stadium Marketing Rights

Meeting date: 26.05.16

Agenda Item:

Report to: E20 Stadium LLP Board

Report of: Alan Skewis, Director of E20 Stadium LLP

1. SUMMARY

1.1. The issue of marketing rights has been raised in discussion of the LS185 Business plan and naming rights. This paper provides an overview of the position, and relevant issues.

1.2. s.43

2. RECOMMENDATIONS

2.1. The Board is invited to **NOTE** the update.

3. LS185 RIGHTS

3.1. It is important at the outset to distinguish Stadium rights from those from association with WHU or other promoters.

3.2. In the Operator contract Marketing Rights are defined:

“means, in any and all media, throughout the universe, and in all languages, any and all advertising rights, promotional rights, rights of endorsement, rights of association, premium and giveaway rights, marketing rights, merchandising and licensing rights, catering and concession rights, sponsorship rights, hospitality rights, travel and tourism rights, ticketing rights, accommodation rights, publishing rights, betting/gaming rights, retail rights, music rights, philatelic rights, numismatic rights, lottery rights, auction rights and any other rights and/or associated commercial opportunities (whether now known or hereafter invented) relating to the Stadium or South Park to the extent that such rights are not Naming Rights, Pouring Rights, Confectionary and Snacks Rights or Other Rights.”

3.3. E20 has given certain marketing rights for the stadium to LS185 to sell, as summarised in Clause 6.2 of the Contract. The matrix of rights is set out in Appendix 1. Clause 6.2 sets out that:

“The Grantor grants the Operator the sole and exclusive right to:

3.3.1. promote, sell and manage Events within the Opportunity Parameters;

3.3.2. exploit the Marketing Rights and the Pouring Rights;

subject to any restrictions set out in this Agreement, provided that such rights shall not be exercised and no advertising, promotional or corporate material shall be displayed in the Stadium contrary to the terms of a Staging Agreement, or any Primary Usage Agreement or the Naming Rights Agreement (subject to Clause [Change Control Procedure]).”

3.4. Critically, the ability to exploit these rights is subject to the Primary Usage Agreement, which includes the WHU Concession Agreement. As set out in 3.5-3.8 below this is important, and LS185 should have made themselves aware of this restriction on when they agreed the Operator Agreement.

3.5. **s.43**

3.6. **s.43**

3.7. **s.43**

4. **s.43**

4.1. **s.43**

4.2. **s.43**

5. EXCLUDED CATEGORIES

5.1. The Operator contract restricts LS185 from selling to companies which could harm LLDC or LBN. The relevant clause is set out in Appendix 2, and covers political, religious, tobacco, violence etc.

6. POURING RIGHTS

6.1. LS185 hold the stadium pouring rights. They have run a competitive process and are ready to appoint a company. WHU and LS185 have worked closely, and concluded on appointment of the same company as WHU partner and LS185 partner. This is an example of how voluntary collaboration for mutual benefit has worked between WHU and LS185.

7. BETTING RIGHTS

7.1. WHU have “Betway” as their Tier 1 commercial sponsor, and LS185 see gambling as a key source of income. They have the gambling rights on WHU match days

- 7.2. LS185 have included £113k in their bid, part based on a gambling partner and partly on using the Connected stadium to generate additional gambling income.
- 7.3. Unfortunately for LS185, they failed to due diligence on the WHU agreement and operator agreement, so have overestimated their ability to maximise income on WHU Event Days. Therefore they will struggle to achieve this income.
- 7.4. E20 is not liable to compensate LS185 for their error in reading the contract. However, it will impact on their revenues and the return from the connected stadium investment.
- 7.5. s.43 [REDACTED]
- 7.6. s.43 [REDACTED]

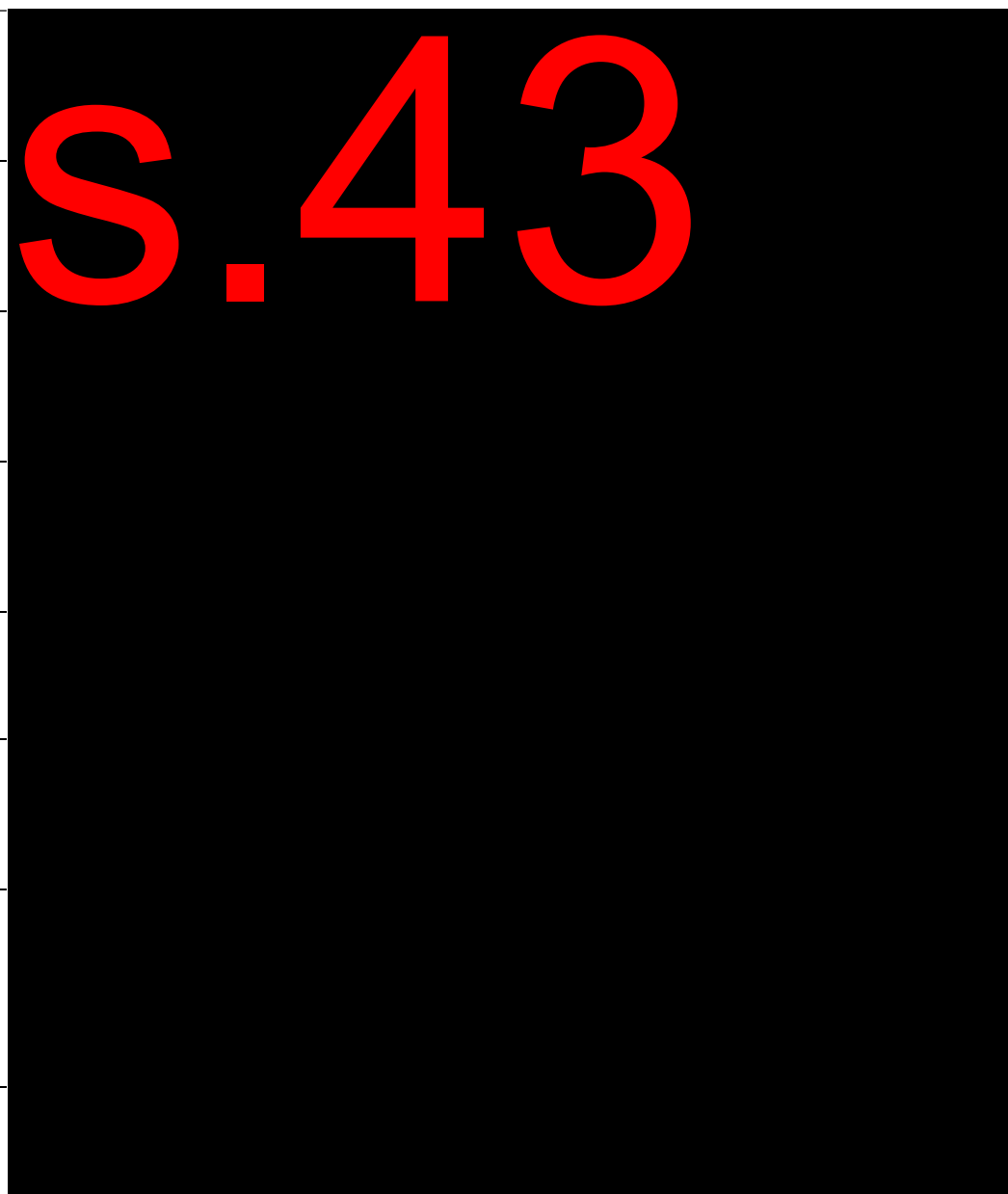
Appendix 1: Summary of Marketing Rights Partners
Appendix 2: Excluded Categories

Appendix 1: Summary of Marketing Rights Partners

The below applies to Stadium/Stadium Island. It does not apply to South Park or other areas. Note that all or part of the below is potentially overridden by major events/clean stadium events – e.g. IAAF/IPC 2016 world championships

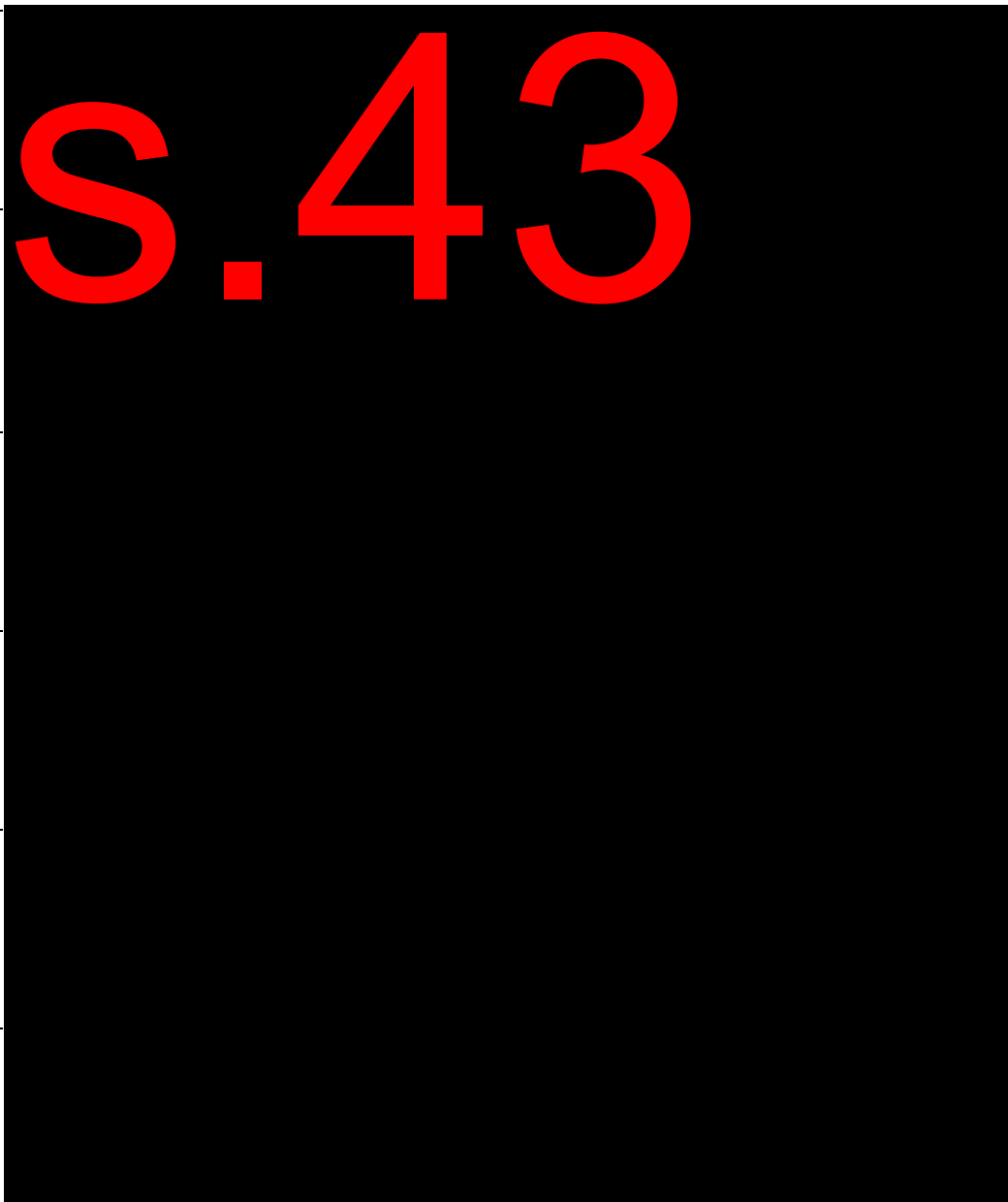
Marketing Category	s.43 E20	LS185	UKA	S.43
<u>PRIMARY RIGHTS</u>				
Stadium Naming Rights	s.43	None	None	
Community Track Naming Rights	None – LMT has naming right	None	None	
<u>SIGNAGE RIGHTS</u>				
Signage Rights	s.43	None	Yes specific signage rights on UKA days. Not otherwise	
<u>SECONDARY RIGHTS</u>				

Beer	s.43 None	Yes - LS185 has catering and pourage rights for the stadium	None
Wine	None	Yes - LS185 has catering and pourage rights for the stadium	None
Coffee	None	Yes - LS185 has catering and pourage rights for the stadium	None
Soft Drinks	None	Yes - LS185 has catering and pourage rights for the stadium	None
Betting	None	Yes, except on WHU match days	None
Confectionary and Snacks	None	Yes - LS185 has catering and pourage rights for the stadium	None
Mobile	None	s.43	None
Telco	None		None



	s.43		s.43	
ICT		None	None	
Logistics		None	None	
Airlines		None	None	
B to B Services		None	None	
2nd tier naming		None	None	
Finance		None	None	

Sports Wear	s.43	None	s.43	None
Charity		None		None
Watches		None		None
Tailors		None		None
Hotels		None		None
Cars		None		None



	s.43		s.43	
Taxi services and other transport (non airline) providers		None		None
Energy		None. E20 is obliged to provide heating service to the Stadium (via Cofeley CHP arrangement)		None
Any other secondary marketing right		None		

S.43

Appendix 2: Excluded Categories

“means a category of Event, Marketing Rights or Pouring Rights:

- (a) for any overtly political or religious organisation;
- (b) for any organisation whose principal business includes the sale of tobacco-related products or pornographic material;
- (c) which do not comply with the law, or which incite anyone to break the law;
- (d) which conflict with the UK Code of Non-broadcast Advertising, Sales Promotion and Direct Marketing (CAP Code) and the UK Code of Broadcast Advertising (BCAP Code);
- (e) which depict men, women or children as sex objects, or depict or refer to indecency or obscenity, or depict illegal and immoral material;
- (f) which depict direct and immediate violence to anyone shown in the advertisement or to anyone looking at the advertisement;
- (g) which contain illustrations which depict, or might reasonably be assumed to depict, quotations from or references to a living person unless the consent of that person or an authorised representative of that person is obtained and is produced to the Grantor;
- (h) which do not comply with any Governing Body requirements; and
- (i) which encourage, in whatever manner, behaviour which promotes disparaging views or behaviour relating to an individual's or group's colour, race, nationality, ethnic or national origins, sex, marital status, religion, age or disability;

Item: Agenda item 7
Subject: Stadium Transformation Update
Meeting date: 26 May 2016
Report to: E20 Stadium LLP Board
Report of: Colin Naish, LLDC Executive Director of Stadium

1. Summary

- 1.1. This report provides an update to the Board on operational readiness for the AC/DC concert on the 4 June 2016, the signing of a second Supplementary Agreement with Balfour Beatty and the remaining transformation works required to achieve Stadium completion, the publishing of the concession agreement following the outcome of the Information Commissioner's hearing and an update on the delivery of the Summer 2016 seat transition works, the costs associated with which give rise to concerns that, pending the procurement of a longer term seating transition contractor, the current annual seat move allowance E20 has allowed for in its business plan will be insufficient.

2. Recommendations

- 2.1 The Board members are invited to:
- 2.2 **NOTE** the LLDC's view on Stadium Operational readiness.
- 2.3 **NOTE** the signing of the Second Supplemental Agreement with Balfour Beatty, the 13 July 2016 date for completion and handover to the Operator and the remaining transformation works that are in progress.
- 2.4 **NOTE** the outcome of the Information Commissioner's hearing.
- 2.5 **NOTE** the update on relocatable seating transition delivery approach and costs.
- 2.6 **NOTE** the impact on E20's business plan of the emerging picture on future seating transition costs.

3. Stadium Readiness

- 3.1. The timetable for transformation works remains challenging, and the greatest risk to readiness to hold the AC/DC concert on 4 June 2016 is the final commissioning of all the life safety systems. Balfour Beatty will provide hard FM services during the concert period as they did for the events last year. Building Control has however stated at SAG that the Stadium is currently in a better position than it was going in to the events programme last year. One item of work identified by SAG in advance of 4 June is an audit of Stadium island signage.
- 3.2. The quality of CCTV in the stadium bowl and the provision of Airwaves have previously been identified as risks in relation to licensing the stadium, but these are related to football rather than other modes of use, and will be addressed in time for football. For the AC/DC concert the capacity will be 74,671. Of these, 44,683 will be in the lower bowl/field of play, and 4,910 of these will be in the Golden Circle. There are no immediate licensing issues.
- 3.3. There is little time available for Operator familiarisation prior to the first event. During this window, caterers, stewards and cleansing teams need to be made familiar with the Stadium. LS185 are doing a concert table top on (Sunday) 29 May 2016 – which will have a strong

internal focus (e.g. show stop) and include some stadium familiarisation. There will also be some stewards brought in two hours early on the day of the event for familiarisation.

- 3.4. This is the first time that the stadium will have an audience on the pitch. To mitigate this risk, LS185 have taken learning from Wembley in managing the bowl and field of play, and have engaged specialist event stewards for managing these areas.
- 3.5. LLDC are discussing with the stadium operator and Westfield the operational consequences of the recent disturbance at West Ham's current home ground.
- 3.6. In summary, there is further work needed on preparation for football but plans for the concert are in a relatively good position. The next SAG meeting is on 24 May – prior to the 4 June event. A further update will be provided to the Board prior to the first football match.

4. Remaining Works


- 4.1. Following the LLDC Board's approval to the principles of the Second Supplementary Agreement which funds acceleration of event critical works for the AC/DC concert and achieves settlement of claims for delay and disruption, the agreement was signed by E20 with Balfour Beatty on 11 May 2016. This agreement provides for
 - the stadium to be sufficiently completed to be capable of being licensed and operated for the Newham Great Team Relay and the Great Newham London Run by 13 July 2016 (including the provision by the Contractor of all operation and maintenance manuals, an operator training programme and safety certification to the extent necessary to operate the Stadium and the cleaning of the Stadium by the Contractor in accordance with the Tier 1 Contract)
 - all works and services of the Contractor not completed at the date of the Newham Great Team Relay and the Great Newham London Run which are required to be completed so that the Stadium is capable of being licensed and operated for the subsequent athletics and football events will be completed as soon as is practical thereafter so that the Stadium is licensable for the next athletics or football event
 - the power upgrade works being completed by no later than 6 September 2016 and will use all reasonable endeavours to do so no later than 7 August 2016. In the event that the Contractor fails to complete the Power Upgrade Works by 7 August 2016 then the Contractor will continue to meet the costs of temporary power until the date that the Power Upgrade Works are completed
 - the Post Completion Works (for example the production of as-built drawings) by no later than 31 December 2016
- 4.2. Works to upgrade the power supply to meet the Operator's requirements to kitchens and kiosks has now been completed, negating the need for any temporary overlay generators.
- 4.3. Work in the stadium is progressing to the accelerated programme. Within the bowl the new Mondo track installation is progressing well, the Desso is in and the pitch is ready to seed post-concert.
- 4.4. External to the bowl, the Mondo to the community track is laid, the car park and broadcast compound are nearing completion and the crowd segregation system on the podium is now complete in readiness for football. After the concert, works to install the Bell, Bobby Moore Statue and Champions Place will be completed.
- 4.5. Outside of Balfour Beatty's scope, the fit-out of the hospitality areas by Portview continues to progress well, and Sapa are making progress to deliver the completed athletic mode relocatable seating system including the concert super-gangways in time for the concert. The outstanding components for pitch mode are due to be delivered by end of June; in the main these comprise the north and south bridges and walkways. A test build will be undertaken to establish completeness.
- 4.6. West Ham are close to completing the fit-out of their lease areas and are preparing for the migration of their staff and the opening of their shop.

5. Information Commissioner Hearing

- 5.1. The tribunal hearing in relation to LLDC's appeal against the Information Commissioner's decision to release the West Ham Concession Agreement was held on 25 January, but was not completed that day. The hearing resumed on 17 March and a verdict was given on 1 April.
- 5.2. LLDC lost the appeal against the Information Commissioner's decision compelling us to publish, in full, the concession agreement with West Ham United FC.
- 5.3. The LLDC Board asked for a further leave to appeal request to be considered; in doing so, members asked that LLDC considered not only the challenges caused to the negotiations with future stadium users if LLDC revealed the terms of the agreement with West Ham United, but also the worrying implications of the precedent established by that ruling, for all future contracts.

This was considered in conjunction with senior officials at City Hall. Following this, the Mayor was briefed and he agreed that LLDC should not pursue an application for leave to appeal but publish the full contract. Following the Mayor's agreement, the full concession agreement was published on 11 April 2016.

6. Relocatable Seating System

- 6.1. s.43 
- 6.2. As noted in the March update paper to E20 Board, in consultation with the LLDC and LBN procurement officers, a decision was reached on the need to make direct appointments with the incumbent Sapa transition subcontractors ESG and PHD to undertake the remaining transition for the 2016 events programme. This was because the time required for an open competition would significantly increase the risk of failure to achieve the initial seating transitions by the required dates, and because the Operation and Maintenance information produced by Sapa to date is known to require testing and validation before it can be readily used as the basis for a long-term incentivised contract.
- 6.3. The benefits of this approach for the 2016 transition from concert/athletics mode to football mode remain as follows:
 - Maintains the current strategy of setting up incentivised contract to deliver the optimum transition time, but secures appropriate resource for immediate transitions (E20 secures contractors which have first-hand knowledge of the seating system, de-risking the first transition window)
 - Gives E20 a better view of the potential pre-tender estimate, prior to entering into public procurement for the long term contract
 - Enables the condition and operability of the installed structures to become known before E20 enters into a long-term contract
 - Enables a more robust procurement for the longer-term contract
 - Helps avoid E20 entering into a contract that is known will change at the outset
 - Increases general certainty which helps protect the integrity of the future contract, including relationships and driving a collaborative culture, and
 - Enables a long-term contract to be based on a firmer commercial footing (target / fixed cost can be achieved and incentivisation modelled more accurately)
- 6.4. Accordingly, discussion commenced with both ESG and PHD with the aim of getting both into contract with E20, based on a schedule of rates for the actual cost of their management, supervision, labour and plant, along with agreed rates of overhead and profit based on their

recent trading performance along with their initial resourcing profile, the level of which would be controlled through regular resourcing surgeries throughout the transition period.

- 6.5. ESG were unable to accept the proposed contract terms which contained mechanisms for E20 to control the level of resource (and therefore the cost) applied to the transition tasks. On submission by ESG of their forecast cost build-up based on their required level of resourcing in the sum of £2.5m for the single transition from athletics to pitch mode of the east and west stands, and when added to cost estimates of the PHD resource requirements for north and south transition and Mace Project Management and Principal Contractor duties (provision of track protection, site welfare, drugs and alcohol testing, inductions and site safety supervision), the cost was unaffordable and did not in reality achieve any risk transfer and transition delivery certainty; any reduction by E20 to the labour levels requested by ESG or PHD would have resulted in an opportunity for this to be used as a reason for the transition not being achieved in time. It was clear that an alternative approach was required.
- 6.6. The approach now being taken forward is one of forming an Integrated Team with the aim of having direct control over the level of resource applied, reducing the likelihood of incurring fee on fee, eliminating the duplication of management resource and having direct access to a more cost effective labour resource base. The Integrated Team will be led by managers from Mace, PHD and M&H, a key supplier of cost effective skilled labour to Balfour Beatty on the stadium transformation works who contributed 1 million of the recent 2 million man-hours of RIDDOR free working on the project. ESG declined to be part of this Integrated Team (preferring their original position of being solely responsible for the transition of the east and west stands through the use of their labour levels and supply chain), but have agreed to provide a knowledge transfer consultancy service to the Integrated Team's managers and supervisors. Mace will act as the Principal Contractor as required under the CDM Regulations. The Integrated Team management will be supported by supervisors from PHD who were involved in the full transition last year and the move of the north and south stand back into athletics mode for Sapa this year.
- 6.7. Taking this Integrated Team approach, with direct contracts from E20 to PHD and M&H for the supply of management, supervision, labour, plant and materials on a call-off basis, and a direct contract with ESG for transition knowledge transfer consultancy, will result in E20 holding all the delivery risk for the transition, and LLDC carrying the cost risk. Both the delivery and costs risks are managed through the opportunity for learning through the early transition of the East stand and its mid-tier seating installation over the more comfortable 5 week period post 4 June concert pre 14 July Newham Great Team Relay, in advance of finalising the approach and labour levels required to achieve the more challenging west stand move in the 2 week period post 22/23 July Diamond League and pre West Ham's season opener on 7 August, in parallel with the north and south stand moves which PHD are very familiar with.
- 6.8. LLDC have set a £4m budget for this summer's seat transition. This is based on Mace's view of management, supervision, labour, plant and materials needed which includes for transition delivery risk mitigation measures, for example, elements of test building and training, and the early east stand transition in isolation ahead of the north, south and west stand transitions which run in parallel. The transition time available is set by the events, the pitch mode materials are assumed to have been all supplied by Sapa by end of June (the fall-back is the layer system for the north and south bridges as utilised last year), the extent of plant is limited by the working space available and erection sequence, so the only real variable that will drive the outturn cost this year is the supervision and labour levels found to be actually needed in practice to deliver the transition.
- 6.9. The longer term strategy remains to enter into a five-year contract with a contractor to undertake incentivised seating transition moves for pitch and athletics modes and ad-hoc bespoke moves to as required to facilitate additional events. A key part of the strategy is that the contractor is to be incentivised to achieve the transition as quickly as possible to support LS185 taking responsibility for the seating transitions. ESG remain very interested in the longer term seating transition tender opportunity.
- 6.10. Whilst it is hard to quantify at this stage the cost benefit of the competitive procurement of a long term transition contractor and the incremental year on year improvement in transition methodology and timescales it will bring, it is becoming clearer from the emerging cost estimates for this summer's transition, even when taking into account the 2016 specific

transition delivery risk mitigation measures provided for, that E20's current annual seat move allowance allowed for in its Business Plan will be insufficient. The Board should note the potential impact on the E20 business plan, and that firmer information confirming future ongoing costs will be known once the procurement is completed and will be brought back to the Board.

6.11. The seating transition delivery plan remains as follows:

- Sapa transitions the North, South, East and West Stands into track mode to reveal the Mondo track (now complete)
- Balfour Beatty remove existing Mondo track, make the undersoil heating connections and construct the western jump pits (now complete)
- **s.43**
- Summer 2016 Seating Transition Contractors appointed (update as this paper)
- Balfour Beatty lay new track (ongoing and progressing well)
- Concert (4 June 2016)
- East Stand (including mid-tier infill) transitions to pitch mode
- NGTR (14 July 2016)
- GNLR (17 July 2016)
- Diamond League (22/23 July 2016)
- North, South and West Stands transition into pitch mode, ready for
- WHUFC's first game in the Stadium (7 August 2016)
- Appoint long term seating transition contractor by December 2016

6.12. The possibility (reference Item 3 - Directors Update paper) and implications on available seating transition time of West Ham having a Europa League qualifying game in the stadium on the 28 August has not been addressed in this update paper.

Appendices

Appendix A – Monthly Transformation Dashboard – April 2016

Report originator(s): Colin Naish
Email: colinnaish@londonlegacy.co.uk

S.43

Subject: Stadium Wrap
Item: 8a
Meeting date: 26th May 2016
Report to: E20 Stadium LLP Board
Report of: s.40

1. SUMMARY

1.1. This paper outlines the case to fund a wrap around the façade of the Stadium, including an LED screen onto the north eastern section facing the main spectator footbridge.

2. RECOMMENDATIONS

2.1. The Board is asked to **ENDORSE** the selection of Daktronics by LS185 and E20, as the preferred screen provider.

2.2. The Board should **NOTE** that on current assumptions and estimates, this would enable the delivery of the full wrap project within the £5m currently allocated by E20 at its January 2016 meeting.

2.3. The Board is also asked to **NOTE** the Value for Money case for E20 to fund elements of the Wrap.

2.4. The Board is also asked to **NOTE** that a positive NPV for the wrap investment is demonstrated, s.43

3. BACKGROUND

3.1. The stadium wrap consists of 3 elements:

- A digital screen, which is the focus of this paper;
- A fabric wrap; and
- 2 Marquee signs (1x WHU and 1x Naming Rights Partner), located on the north east side of the stadium.

3.2. A tender process has been undertaken for the supply of the LED screen. Sealed bids were received and a short list of three suppliers (Icon, Daktronics and Saco Technologies) were interviewed. Following the interviews, each supplier has been asked several clarification questions and for confirmation of final cost and programme. The status of the stadium and the competitive tension between contractors has driven the price down and has led to the positive recommendation to proceed in this paper.

3.3. The fabric wrap is being procured by WHU s.43. The Club fund 60% of the fabric wrap and its associated steelwork. A breakdown of these costs is attached at Appendix D.

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- 3.4. E20 have been verifying the design submitted by West Ham's suppliers and the long lead item of steelwork fabrication is scheduled to commence w/c 23rd May. Steel quantities have increased as the design has developed, which has put pressure on the £2m 'cap' s.43 [REDACTED] for Fabric Wrap element costs, referred to as Package 1 at Appendix D. These increases may take West Hams contribution above £1.2m, being 60% of £2m.
- 3.5. The third element of the Wrap, the marquee signage, are proposed above and below the Stadium compression truss, as per Appendix A. West Ham United will fund their own sign and associated steelwork, with E20 funding the same for the Naming Rights Partner sign and any concealment fittings to facilitate a Clean Stadium solution.
- 3.6. A Planning Application has been submitted for all three elements and is due to be determined on 24th May. The recommendation of the planning officers is for approval, with conditions that E20 broadly deem as acceptable.

4. VALUE FOR MONEY CASE & NET PRESENT VALUE ANALYSIS

- 4.1. The case for E20's investment of up to £5m in the capital cost of the wrap is based on the following factors:

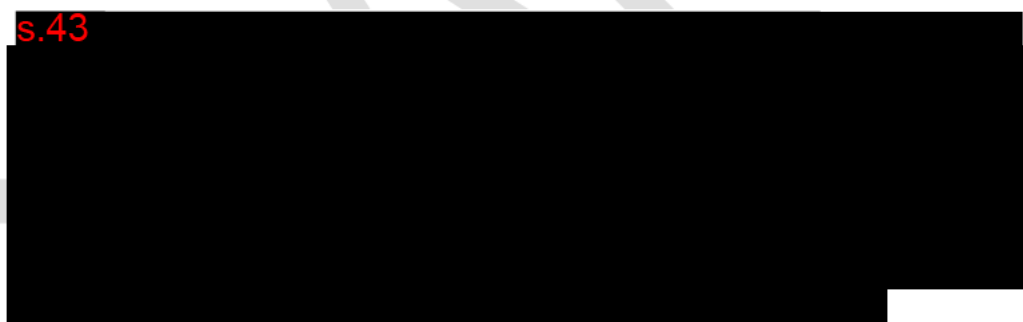
4.1.1. s.43 [REDACTED]

4.1.2. s.43 [REDACTED]

s.43

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- 4.1.3. **Completion of stadium aesthetics and flexibility of appearance** - The Olympic Stadium Transformation planning permission required that E20 LLP bring forward proposals to treat the appearance of the façade in some way. E20 has developed a design led solution that has been endorsed by an independent Quality Review Panel, and the LLDC Planning Policy and Decisions Team are now recommending approval of the big screen and fabric wrap façade treatment. This will complete and enhance the external appearance of the stadium. Whilst not as flexible as the previous fully digital proposal, it will nevertheless enable sufficient flexibility in a cost-effective manner (£6.2m rather than £12m). The screen is fully flexible; the marquee signage is designed in such a way so that it can be “boxed off” with alternative or blank branding; and the West Ham crest and/or naming rights fabric panels can be relatively easily swapped with alternative brands. This will enable the external appearance of the stadium to support the events taking place

- 4.1.4. s.43
- 
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5. SCREEN TENDER RECOMMENDATION

- 5.1. A tender process for the screen has been administered by LS185, with input from E20.
- 5.2. The shortlisted Suppliers all submitted different design solutions, as per Appendix E which were critically assessed by representatives of both Populous and Buro Happold, in their capacities of retained Architectural and Structural consultants, respectively; and E20, LS185 and West Ham United.
- 5.3. The best technical solution was provided by Saco Technologies, but given their capital cost is £610k more expensive than Daktronics, and the solution takes circa. 1 month longer to deliver, it has been ranked second as per the Tender Evaluation document at Appendix B.
- 5.4. The Daktronics solution, although not as architecturally elegant as Saco, consists of a more traditional screen framed to accommodate the complex geometry (see Appendix E) of the façade. The solution is one that can be incrementally built such that some of the 11 bays of the screen may be delivered in time for West Ham’s marquee friendly

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on Aug 7th.¹ West Ham have been consulted and approve the solution, but remain concerned over the programme and delivery prior to their first match.

- 5.5. Daktronics have previously successfully supplied and installed both screens within the stadium. The Transformation Team were positive about Daktronics' performance and delivery within a tight timeframe.
- 5.6. All three shortlisted Suppliers have submitted a 10 year maintenance packages which broadly offer the same levels of technical support, as per Appendix B. Should E20 prefer, there is the option for the Supplier to train the Stadium Operator, in order that LS185 can provide reactive maintenance. The range of maintenance costs vary from £309k (Icon) to £420k (Daktronics) over the 10 year cycle.

6. COSTS

- 6.1. The costs received from the three screen suppliers are shown in the table, below.

(£000s)	Daktronics	Icon	Saco
Capital Cost	2,721	3,200	3,351
10 yr Maintenance Package	420	309	400
Annual Maintenance Cost	42	31 average	40 average
TOTAL Lifecycle (ignoring other operational costs and revenues)	3,141	3,509	3,751

- 6.2. A full NPV analysis of the Stadium Wrap is attached at Appendix C. A positive NPV for the wrap investment is demonstrated, s.43

7. NEXT STEPS

- 7.1. Subject to Board approval, E20 will instruct LS185 to enter into a contract with Daktronics as per the proposal outlined s.43
- 7.2. We anticipate the Fabric Wrap and 'West Ham United' marquee signage will be in place for 7th Aug, with the speed of delivery for the screen and Naming Rights marquee signage being dictated by the speed s.43 and Contract negotiation with Daktronics.

Appendices

Appendix A – s.43

Appendix B - Shortlisted tender scoring

¹ This assumes an immediate E20 decision and necessary contractual documents put in place imminently. It also assumes that no unforeseen delays are encountered at any stage in the design and delivery process – the project is on the critical path with no slack built in.

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Appendix C - Stadium Wrap NPV Analysis

Appendix D – Stadium Wrap Cost Breakdown including the apportionment of funding

Appendix E – Design images of shortlisted submissions

Report originator(s): s.40 [REDACTED], Assistant Business Manager, E20 Stadium LLP

Email: s.40 [REDACTED] [@e20stadium.com](mailto:s.40@e20stadium.com)

DRAFT

S.43

DRAFT

APPENDIX B - Shortlisted tender scoring

LED Screen Evaluation Criteria and Scoring			
Criteria	Daktroniks *	ICON	SACO
Financial Details (P/F)	Pass	Pass	Pass
Insurance criteria (P/F)	Pass	Pass	Have confirmed ability to obtain required cover
Health and Safety (P/F)	Pass	Pass	Pass
Methodology (45)	35	15	40
Programme Management (15)	11	13	10
NOTIONAL PRICE (40)	40	33	31
TOTAL SCORE (100)	86.00	60.96	80.73

S.43

Maintenance Package Contents

Technical Telephone Support	Available 7 days a week, 24hrs a day.	Available 7 days a week, 24hrs a day with the a guarantee that unanswered calls made to the support team will be returned within a maximum of 8 hours of messages being left.	Available between 0800-2200hrs, 7 days per week
Remote Assisted Technical Support	Yes	Yes	Yes
On Site Technical Response Team	Yes, £600 per engineer per 8hr day	Yes, at £2000 per day	By arrangement
Annual Maintenance Check	Yes	Yes	Yes
Payment Terms	30% deposit on signature of contract 60% on shipment of product 10% on substantial completion	50% on appt 40% 5 weeks into appt 10% on completion of commissioning	50% at time of order 40% prior to delivery 10% following the installation of goods
* Revised Methodology score post bid submission design			

APPENDIX C - Stadium Wrap NPV Analysis

Indicative analysis subject to ongoing detailed review in partnership with fabric wrap contractor (Icon) and LS185 (who will be responsible for operating, maintaining and commercialising the wrap).

Assuming Daktronics as Preferred Supplier

CONFIDENTIAL s.40, E20 Assistant Business Manager

Stadium Wrap NPV Analysis

£m	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	10 year total	Notes
Wrap cashflows												
Wrap capital investment	-4.74										-4.74	
Fabric Wrap Maintenance	-0.01	-0.02	0.03	-0.01	-0.02	-0.03	-0.04	-0.01	-0.02	-0.03	-0.16	Assumes inspections three times per annum
Fabric/Ink Replacement				-0.50				-0.50			-1.00	Assumes full replacement every 4 years
LED Screen Maintenance	-0.02	-0.04	-0.04	-0.04	-0.04	-0.04	-0.04	-0.04	-0.04	-0.04	-0.40	Assumes Daktronics
Clean Stadium Install/Deinstall		-0.08									-0.08	No events assumed other than IAAF/IPC World Championships
s.43												
Visual Mngt Strategy Development	-0.05										-0.05	As defined by Advertisement Consent, this would be a one off cost to develop the content strategy in line with any conditions applied.
Screen Operation	-0.02	-0.02	-0.02	-0.02	-0.02	-0.02	-0.02	-0.02	-0.02	-0.02	-0.15	LS185 cost passed through
Power	-0.01	-0.01	-0.01	-0.01	-0.01	-0.01	-0.01	-0.01	-0.01	-0.01	-0.10	LS185 cost passed through
s.43												
												cost tbc

Assuming Saco Technologies as Preferred Supplier

CONFIDENTIAL s.40, E20 Assistant Business Manager

Stadium Wrap NPV Analysis

£m	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	10 year total	Notes
Wrap cashflows												
Wrap capital investment	-5.43										-5.43	
Fabric Wrap Maintenance	-0.01	-0.02	0.03	-0.01	-0.02	-0.03	-0.04	-0.01	-0.02	-0.03	-0.16	Assumes inspections three times per annum
Fabric/Ink Replacement				-0.50				-0.50			-1.00	Assumes full replacement every 4 years
LED Screen Maintenance		0.00	0.00	-0.04	-0.04	-0.04	-0.04	-0.04	-0.04	-0.04	-0.28	Assumes Saco
Clean Stadium Install/Deinstall		-0.08									-0.08	No events assumed other than IAAF/IPC World Championships
s.43												
Visual Mngt Strategy Development	-0.05										-0.05	As defined by Advertisement Consent, this would be a one off cost to develop the content strategy in line with any conditions applied.
Screen Operation	-0.02	-0.02	-0.02	-0.02	-0.02	-0.02	-0.02	-0.02	-0.02	-0.02	-0.15	LS185 cost passed through
Power	-0.01	-0.01	-0.01	-0.01	-0.01	-0.01	-0.01	-0.01	-0.01	-0.01	-0.10	LS185 cost passed through
s.43												
												cost tbc

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APPENDIX D - Stadium Wrap Cost Breakdown including the apportionment of funding

Assuming Daktronics as Preferred Supplier

Fabric Wrap and LED Cost Plan									
Date: 19.05.16									
	Cost	WHUFC	Liability						
			%	E20	%				
Naming Rights Truss Signage	£200,000			£200,000					
Fabric Wrap Cost Plan									
Banners*	£455,000	£455,000	100%	£0	0%				
Structural steel reinforcement for fabric wrap^	£1,105,000	£850,850	77%	£254,150	23%				
Lighting	£600,000	£0	0%	£600,000	100%				
Galvanizing Fabric Wrap Steel	£0	£0	100%	£0	0%				
10% fee for managing fabric steel commissioning	£0	£0	100%	£0	0%				
Contingency - Fabric Steelwork	£53,000	£26,500	50%	£26,500	50%				
Design inc. Icon's on costs	£0	£0	0%	£0	100%	Cap	Cap Differential		
Total Cost - Fabric Wrap (Package 1)	£2,213,000	£1,332,350	60%	£880,650	40%	£2,000,000	-£213,000		
Screen Cost Plan									
LED including steel+	£2,721,000	£0		£2,721,000					
Design	£500,000	£0		£500,000					
LLDC Procurement Advice	£7,500	£0		£7,500					
LS185 Procurement Management	£15,000	£0		£15,000					
Total Cost - Screen (Package 2)	£3,221,000	£0		£3,243,500		£4,200,000	£979,000		
E20 Contingency	£412,415			£412,415					
Total Cost - Wrap (Fabric, Screen, NRP Sign)	£6,046,415	£1,332,350		£4,736,565					
Cap as per s.43									
Notes									
*Costs based on Icon's original estimate dated 17th May 2016									
+Costs based on Daktronics tender return									
^Costs include West Stand panels omitted from original costings									

Assuming Saco Technologies as Preferred Supplier

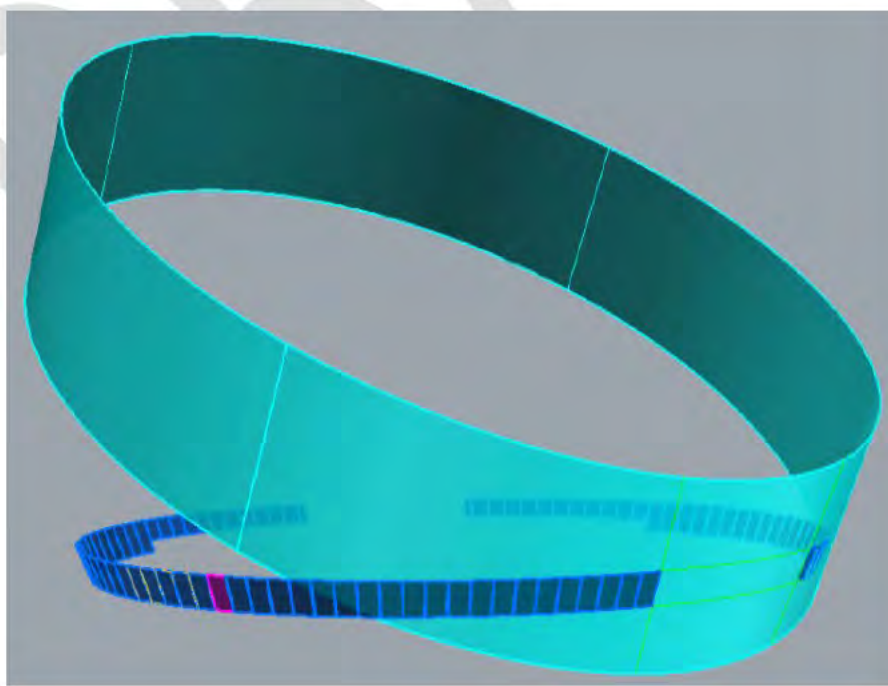
Fabric Wrap and LED Cost Plan									
Date: 19.05.16									
	Cost	WHUFC	Liability						
			%	E20	%				
Naming Rights Truss Signage	£200,000			£200,000					
Fabric Wrap Cost Plan									
Banners*	£455,000	£455,000	100%	£0	0%				
Structural steel reinforcement for fabric wrap^	£1,105,000	£850,850	77%	£254,150	23%				
Lighting	£600,000	£0	0%	£600,000	100%				
Galvanizing Fabric Wrap Steel	£0	£0	100%	£0	0%				
10% fee for managing fabric steel commissioning	£0	£0	100%	£0	0%				
Contingency - Fabric Steelwork	£53,000	£26,500	50%	£26,500	50%				
Design inc. Icon's on costs	£0	£0	0%	£0	100%	Cap	Cap Differential		
Total Cost - Fabric Wrap (Package 1)	£2,213,000	£1,332,350	60%	£880,650	40%	£2,000,000	-£213,000		
Screen Cost Plan									
LED including steel+	£3,351,262	£0		£3,351,262					
Design	£500,000	£0		£500,000					
LLDC Procurement Advice	£7,500	£0		£7,500					
LS185 Procurement Management	£15,000	£0		£15,000					
Total Cost - Screen (Package 2)	£3,851,262	£0		£3,873,762		£4,200,000	£348,738		
E20 Contingency	£475,441			£475,441					
Total Cost - Wrap (Fabric, Screen, NRP Sign)	£6,739,703	£1,332,350		£5,429,853					
Cap as per s.43									
Notes									
*Costs based on Icon's original estimate dated 17th May 2016									
+Costs based on Daktronics tender return									
^Costs include West Stand panels omitted from original costings									

APPENDIX E

General computer generated image showing view from F10 footbridge

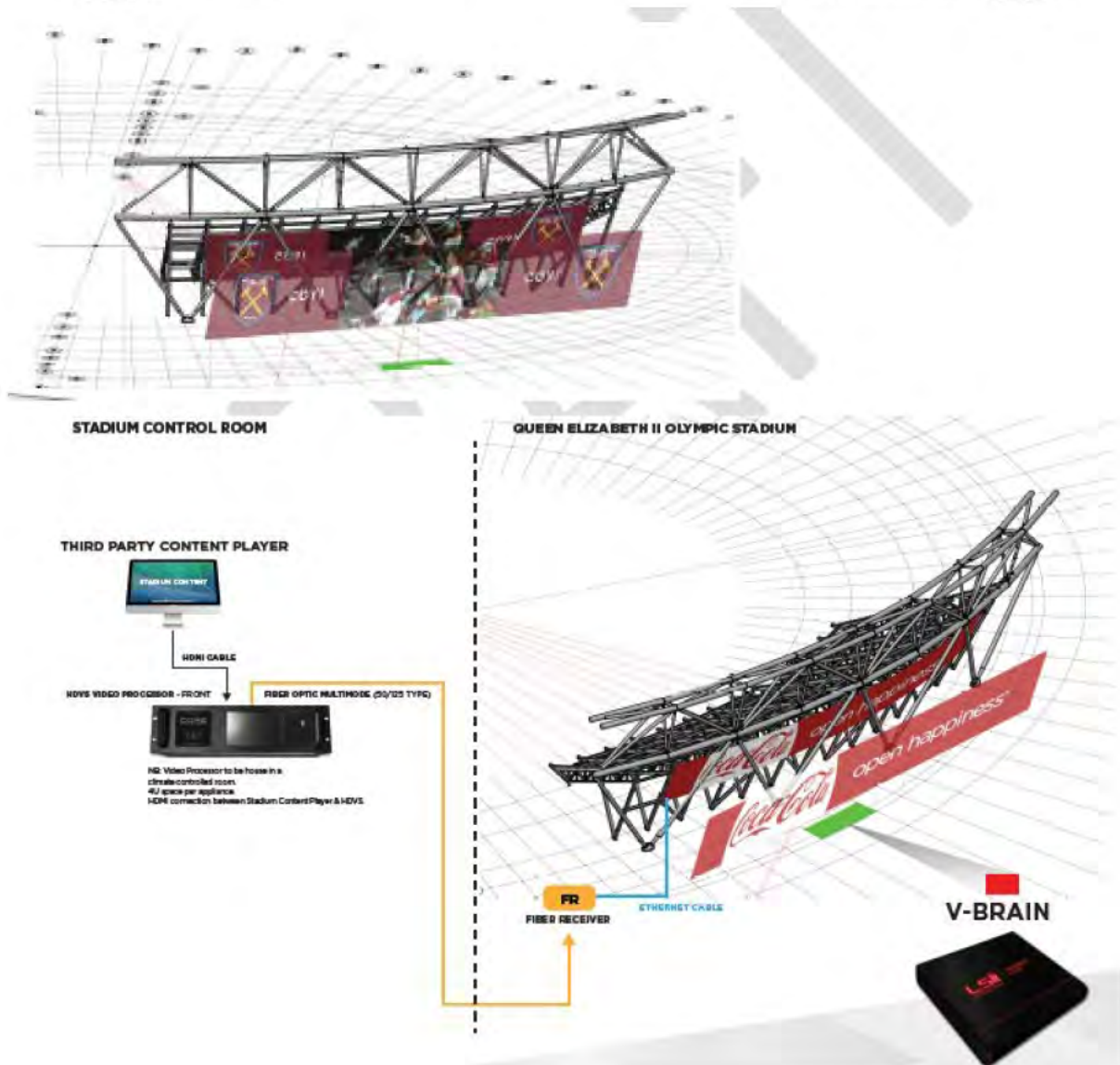


Image portraying the complex geometry of the façade – note both cylindrical and cone shaped



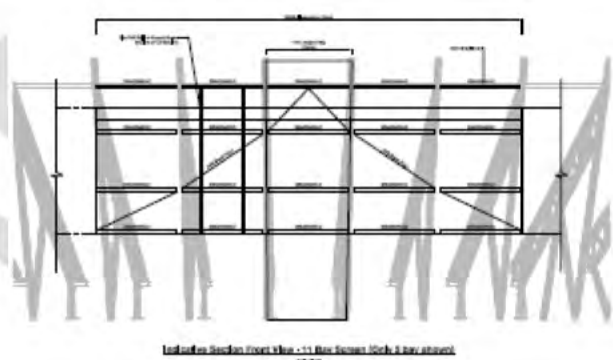
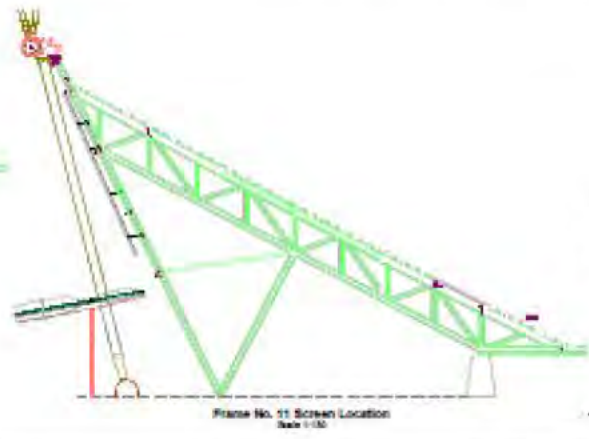
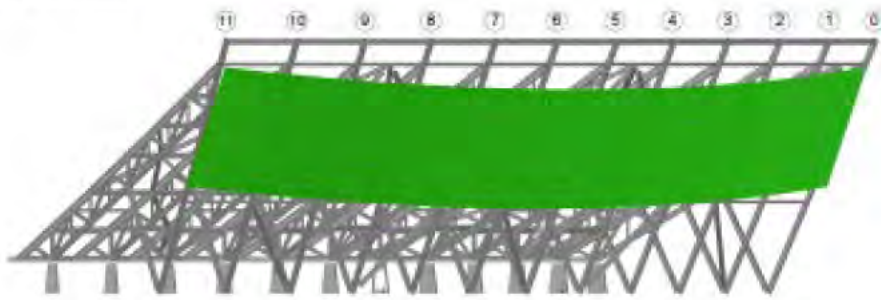
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Saco Solution



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Icon Solution





Subject: Stadium Void Treatment

Item: 8b

Meeting date: 26 May 2016

Report to: E20 Stadium LLP Board

Report of: Alan Skewis, Director

1. SUMMARY

1.1. This report requests a decision on the implementation of the voids solution.

2. RECOMMENDATIONS

2.1. **AGREE** the voids solution proposed is suitable and the £900,000 budget allocated by WHU, LBN and LLDC should be confirmed.

3. UPDATE

3.1. In football mode there are significant “voids” between the lower tier and upper tier seating on 3 sides of the stadium.

3.2. Treating the voids is not a requirement in the WHU Concession Agreement or the LS185 Operator Agreement. There is a planning condition that requires E20 to propose a solution, but this is not specific and does not require the sophisticated solution proposed in this paper.

3.3. In October 2015 it was agreed with WHU that a suitable treatment would add to the stadium appearance. LLDC, LBN and WHU agreed to allocate £300,000 each to cover capital costs and 10 years of operating costs.

3.4. The £900,000 budget was above that identified by E20 as needed for a solution that fitted to the lower tier retractable seating system. WHU questioned the costs and methodology, and agreed to lead the work to see if a solution could be delivered within the £900,000 budget available.

4. PROPOSED SOLUTION

4.1. Technical Solution

4.2. WHU have led with 2 companies (Fabric Architecture and Icon) on solutions.

4.3. Initially they favoured a solution that affixed to the lower tier retractable seating. However, this has not proceeded due to a combination of uncertainty over the seating system and reluctance by the manufacturers to warrant that the lower tier could take the loads from the voids treatment.

4.4. The alternative is to include an additional structure that takes a significant amount of the load from the lower tier seating. This is shown in Appendix 1. In summary:

4.4.1. The north, south and West stands are covered by a tensile fabric;

- 4.4.2. The fabric is opaque, so the seating structure underneath will not be visible to spectators;
- 4.4.3. However, the fabric does have 28% porosity, to reduce wind pressures;
- 4.4.4. The fabric is held in place by cables every 2.5m, as well as 4 corner cables;
- 4.4.5. An aluminium compression member is located at the back of the lower tier seating, and provides support to keep the fabric in place without relying on the lower tier seating structure
- 4.5. Technical experts have confirmed that the solution should work. However, as it is unique and untested, there will need to be monitoring of the system when it goes into place this Summer. The greatest risks are on the south and north treatments, as they span larger areas.
- 4.6. Capital Costs
- 4.7. The system has been priced at £450,000 capital costs. Given the uncertainty over the wind loading it is recommended that an assumption of £500,000 is used for decision making.
- 4.8. Procurement
- 4.9. WHU are procuring the void treatment, and will be the initial signatory to the contract with Fabric Architecture. The contract will be to design, manufacture and install the system. Once installed it is recommended that the ongoing moves and installation are integrated into the retractable seat moves tender. Companies tendering for this may wish to work with Fabric Architecture, and as a minimum it is proposed that Fabric Architecture's initial contract includes a period for training the successful seat moves contractor on the system.
- 4.10. Operating Costs
- 4.11. The annual operating costs are estimated to £40,000 per annum to install and take down the system once per annum. These are also not tested and are reliant on the interface with the retractable seat operation.
- 4.12. It is likely that the costs in the initial years will be higher, and then as the system is used more often the costs will reduce. While the £40,000 cannot be guaranteed to be the average over the 10 years of the systems life, it is a reasonable assumption to make at this stage.
- 4.13. The combination of £500,000 capital costs and an assumption of £400,000 operating costs over 10 years would mean that the system is just within the £900,000 allocated by the partners.
- 4.14. Branding
- 4.15. The branding includes "West Ham United", "Newham London" and "QEOP" on all 3 sides. The size of each piece of branding will be the same scale (note the WHU visuals have WHU larger than the Newham and QEOP brands). E20 members have discussed the need for the colour scheme to be adjusted to be less claret and blue and more white. This has been raised with WHU.
- 4.16. The branding provides an opportunity for QEOP and Newham to be recognised within the stadium bowl. While not visible on TV, this is valuable as there are no other locations where QEOP or Newham are visible to the spectators within the bowl area.
- 4.17. Timescale for Delivery

- 4.18. The timescales are very challenging. Installing the system relies on the retractable seats being in football mode. This will not be the case until the 23rd July after the athletics meet.
- 4.19. To mitigate timing risks, and subsequent reputational damage:
- 4.19.1. Structural parts are being ordered now, so they are ready to be installed as soon as the opportunity arises;
 - 4.19.2. Some of the structural work is going to take place during the June period where the retractable seats are being moved to test improvements;
 - 4.19.3. The agreed priorities getting the retractable seating in place before the 7 August Friendly game versus Juventus;
 - 4.19.4. E20 are advising WHU to be clear with supporters that the system will not be in place before the start of the Premier League on 13 August. WHU resist this, but understand the risks.
- 4.20. Summary
- 4.20.1. The technical solution should work, and it is worth proceeding with. Testing once in place will help inform any issues relating to wind loading
 - 4.20.2. The combined capital and operating costs are not established, but current estimates are just within the financial parameters set by the funding partners
 - 4.20.3. The branding meets the funding partners requirements
 - 4.20.4. The timescale for delivery is very challenging, and all partners should seek to get the void solution in for the 7 August 2016, but accept that the retractable seating solution is a higher priority.

5. OPTIONS

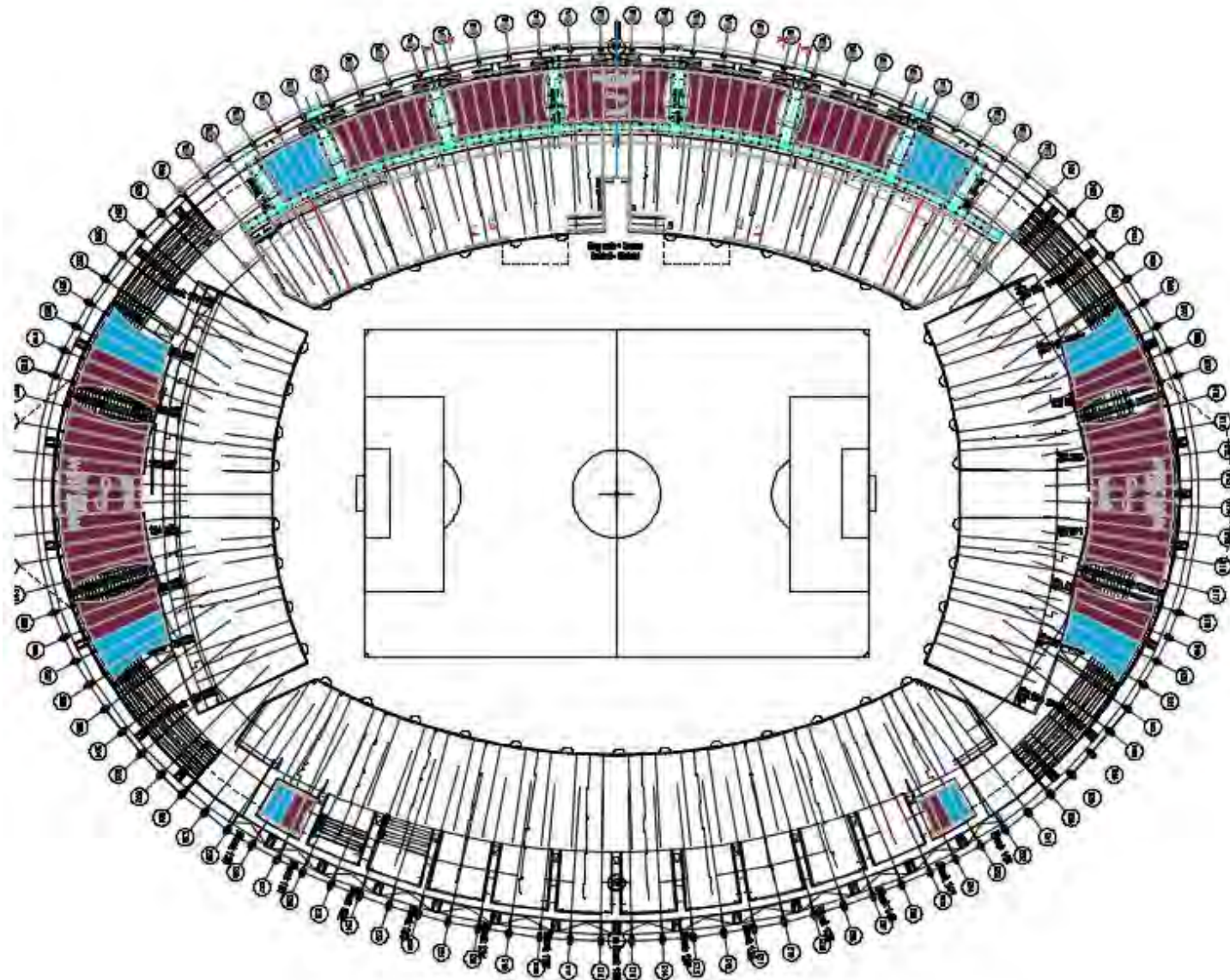
- 5.1. E20 are not a direct funder of the void treatment, so E20 do not need to allocate specific funding.
- 5.2. The options for LLDC and LBN are:
- 5.2.1. Confirm £300,000 funding each, noting the risks relating to timescale and the possibility that the operating costs will go above £900,000 over the 10 year period. This option allows the void treatment to be put in place and tested in 2016.
 - 5.2.2. Delay confirmation until better information is known. The disadvantage of this approach is that technical reports on costs and deliverability will always rely on actually testing the system. It is therefore better to proceed, or abandon the void solution now.
 - 5.2.3. Abandon the void solution and propose a minimal seat covering solution to the planners to discharge the condition. This would mean not committing funding, but would risk planners not approving the proposals, and a (weak) challenge from WHU regarding the concession agreement.
- 5.3. E20 recommend that Option 1 is agreed.

Report originator(s): Alan Skewis

Email: alanskewis@londonlegacy.co.uk; alan.skewis@newham.gov.uk

Appendix 1: Void Images and Technical Drawings

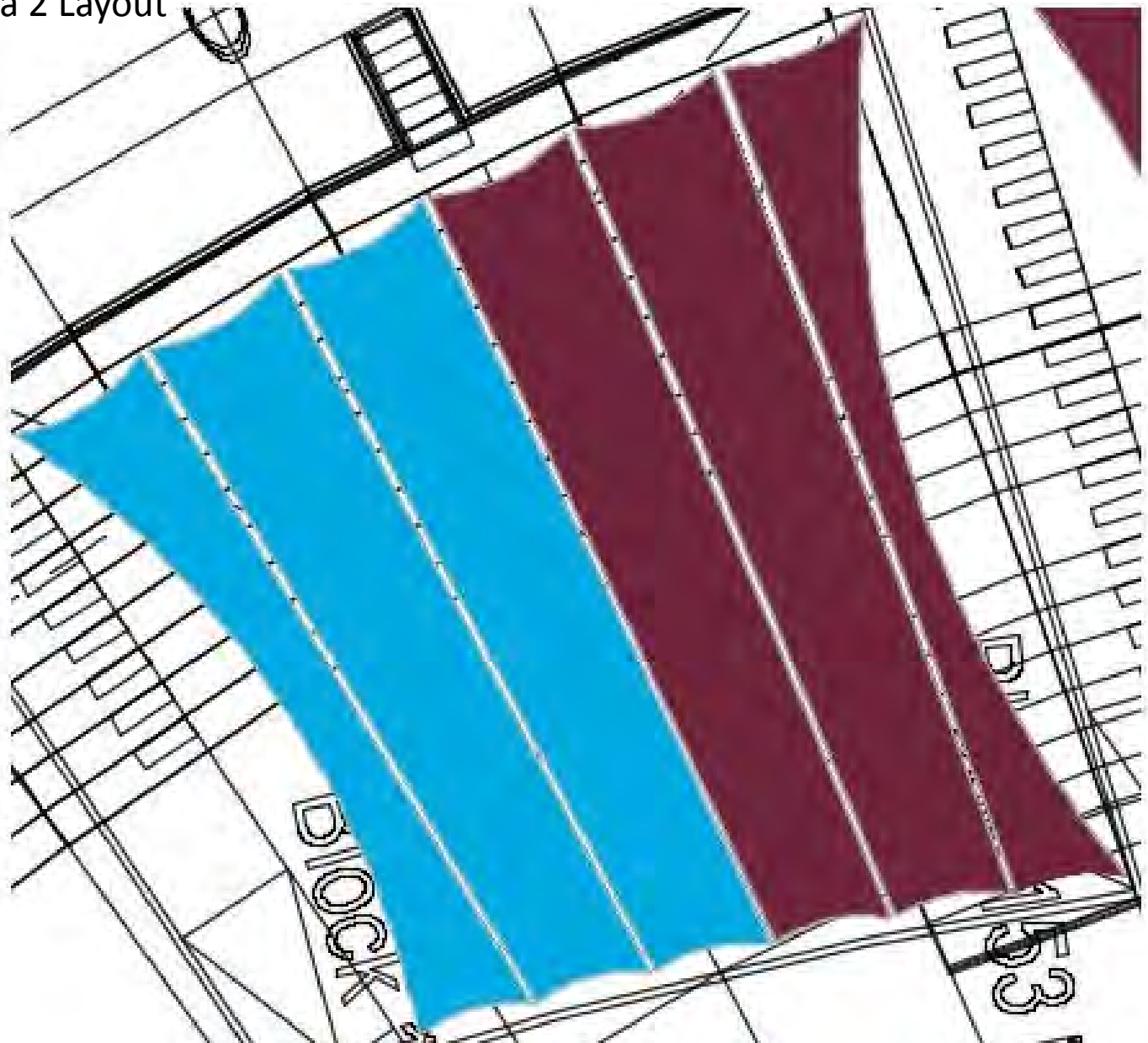
Olympic Stadium – Fabric Void Infills



Typical Area 1 Layout

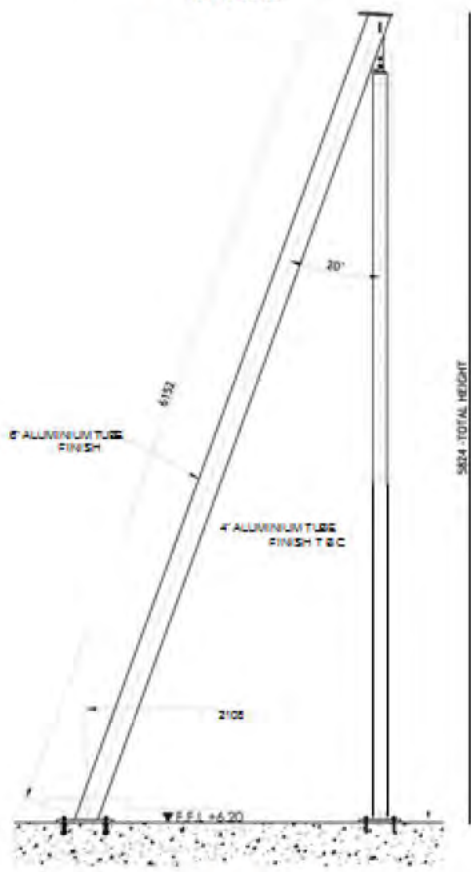


Typical Area 2 Layout

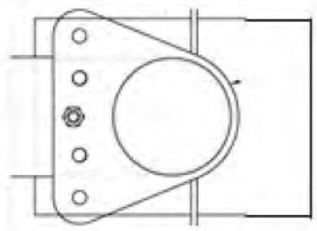




BIPOD - PLAN VIEW
NOT TO SCALE



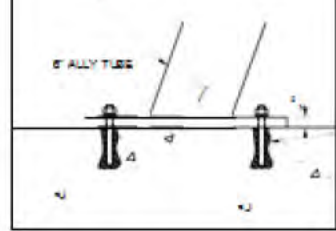
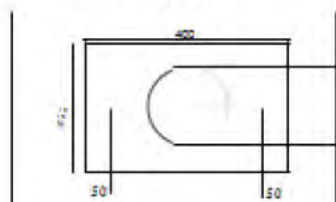
BIPOD - SIDE ELEVATION
NOT TO SCALE



TOP CAP DETAIL
NOT TO SCALE



LUG CONNECTION DETAIL
NOT TO SCALE



FOOTING DETAILS
NOT TO SCALE

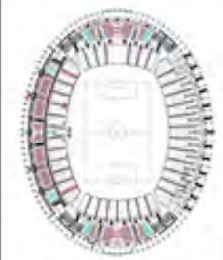
12MM THK WOOD TOP CAP

RESIN AND CROSSLINK INTO CONCRETE
SUBJECT TO FINAL ENGINEERING

TOTAL BIPOD QTY: 119

3rd Angle Projection U.N.C. @ C/J
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ALL DIMENSIONS IN MILLIMETRES



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INDUSTRIAL DESIGN ENGINEERING
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s.40
LTD 8th Floor
Hurricane Road
Guscelier Business Park East
Brockworth
Guscelier GL34AG

Drawing Status
FOR DISCUSSION
Client

Project Title
WEST HAM UNITED STADIUM

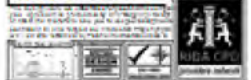
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TYPICAL BIPOD**

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Eng. Signal P.I.I.S. Signal

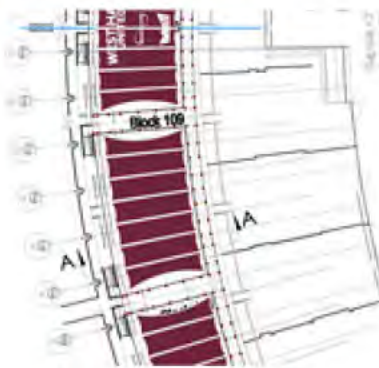
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19/04/16 1512002

Drawing No.
100-9

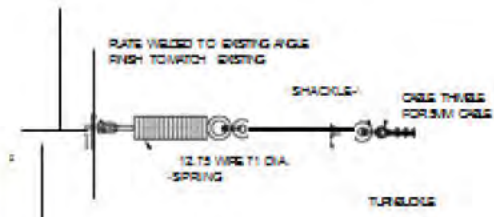


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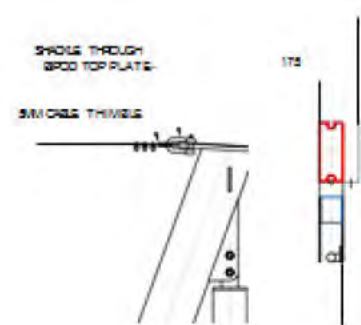
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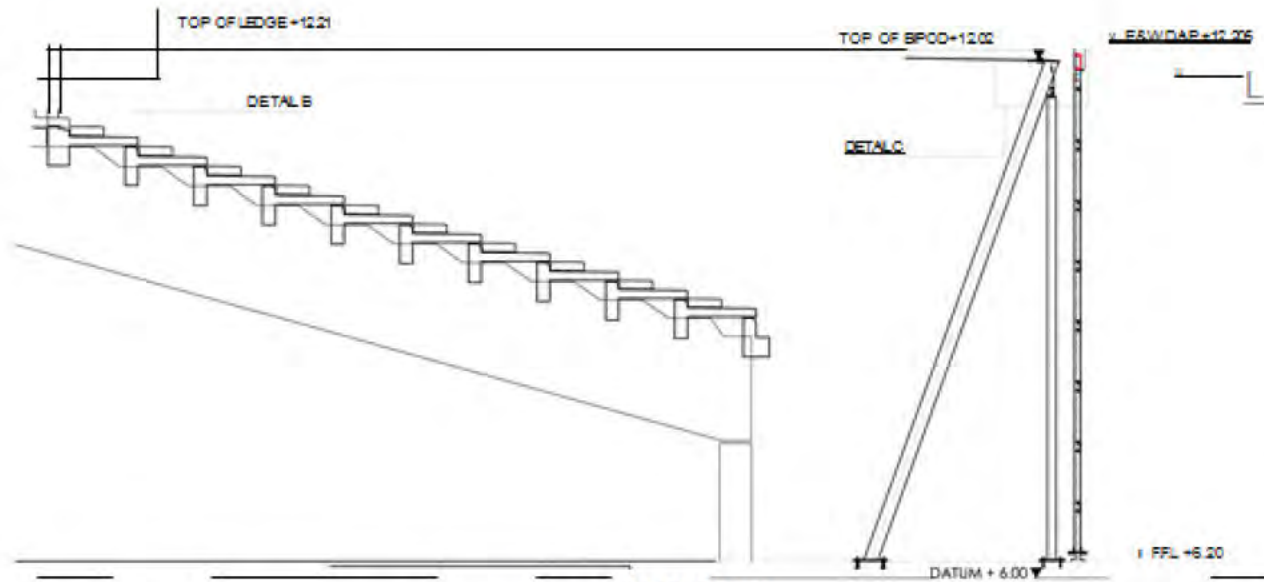
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PLAN VIEW
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DETAIL B
NOT TO SCALE



DETAIL C
NOT TO SCALE



SECTION A-A
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3rd Angle Projection U.N.I.C. @ C.J.
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GENERAL NOTES



ORIGINAL MB 19/04/16

Rev	Comment	By	Date
1			

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INDUSTRIAL TRUSSEL ENGINEERING
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Unit 24 Nexus
Hurricane Road
Goucester Business Park Site
Brookworth
Goucester GL3 4AG

Drawing Status
FOR DISCUSSION

Client

Project: The
WEST HAM UNITED STADIUM

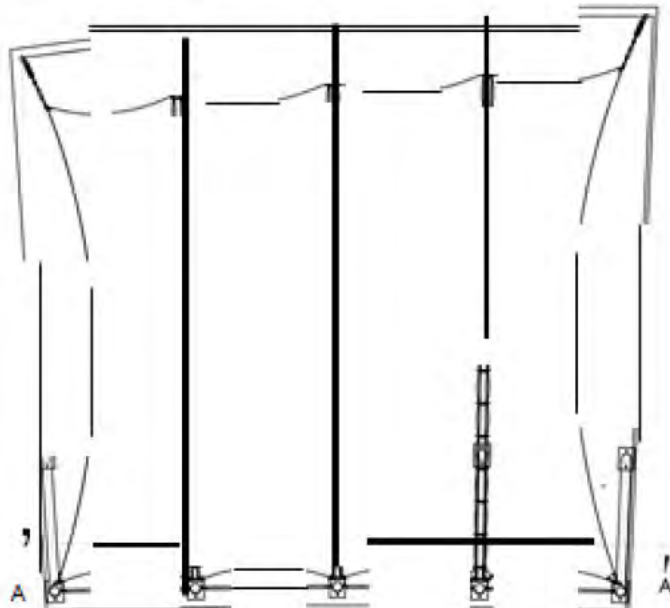
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BIPOD LEVELS**

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Eng. Sign-off	PI/MB Sign-off		

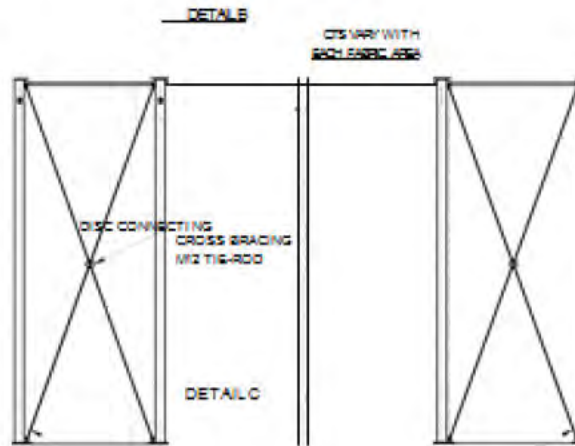
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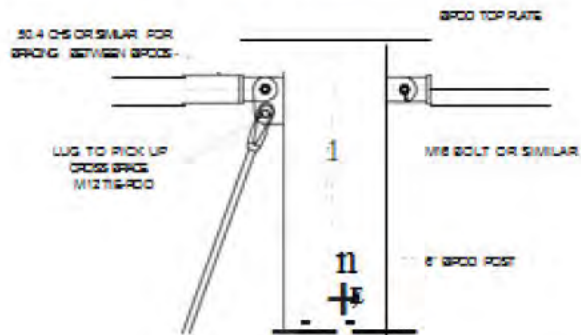
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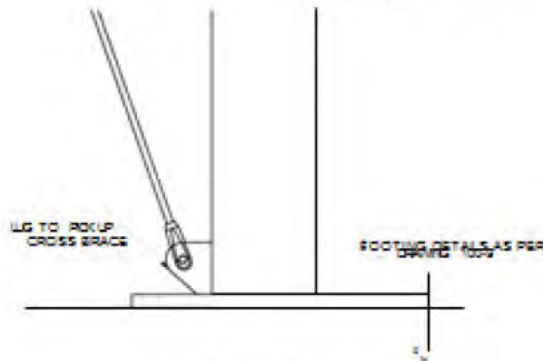
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SECTION A-A - ELEVATION VIEW
NOT TO SCALE



DETAIL B
NOT TO SCALE



DETAIL C
NOT TO SCALE

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Unit 24 Nexus
Hurricane Road
Goucester Business Park East
Brockworth
Goucester GL2 4AG

Drawing Status
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Client

Project Title
WEST HAM UNITED STADIUM

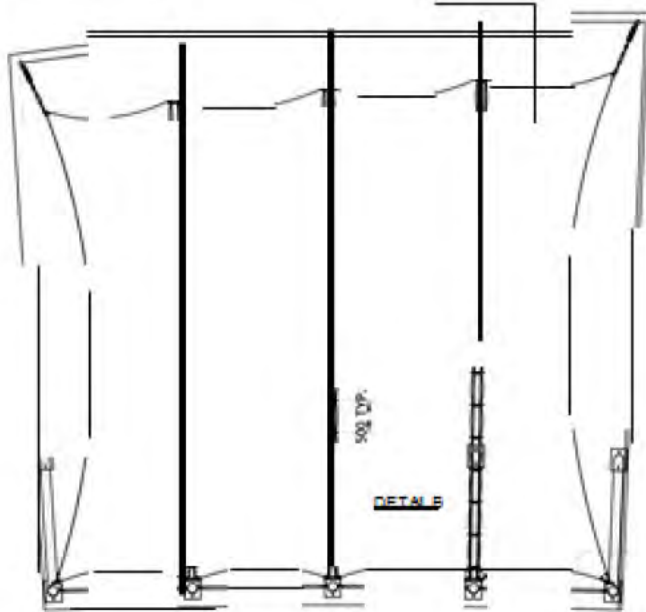
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GENERIC CONNECTIONS

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Eng: Sign-off P.M. Sign-off

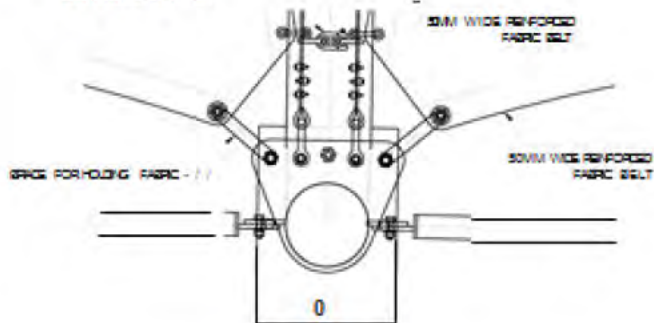
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19/04/16 1512002 100-11



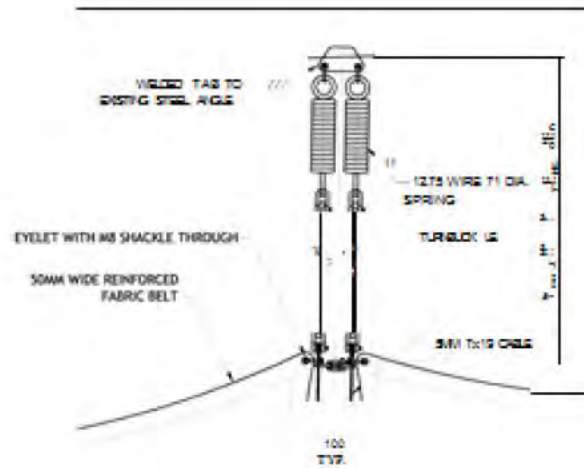


FABRIC AREA 7 - PLAN VIEW
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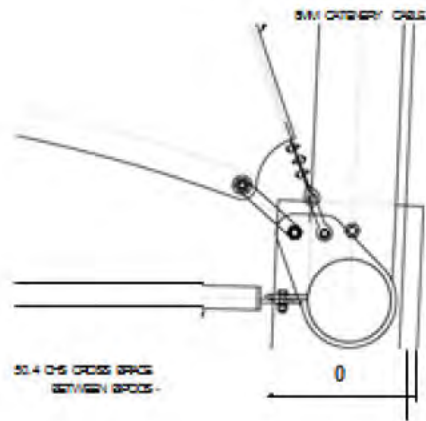
MS SHACKLE ARRANGEMENT
TO HOLD CABLES TOGETHER
@ 500 DP APPROX



DETAIL B - PLAN VIEW
NOT TO SCALE



DETAIL A - PLAN VIEW
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DETAIL C - PLAN VIEW
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Do not scale the print. If dimensional information is required please ask

GENERAL NOTES
ALL DIMENSIONS IN METERS



ORIGINAL MB 19/04/16

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Drawing Status
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Project Title
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Drawing Title
GENERAL ARRANGEMENT
GENERIC CONNECTIONS
Scale: Drawn By: Checked Rev:
A3 MB P1
Eng: Sign-off: PMS/sign-off

Date: Project No: Drawing No:
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Subject: E20 Delegated Spends and Track Cover
Item: 8c
Meeting date: 26 May 2016
Report to: E20 Stadium LLP Board
Report of: Alan Skewis, Director and s.40, Capital Advisor

1. SUMMARY

- 1.1. This report updates members on allocation of delegated amounts to the E20 Director at the 30 March meeting, and requests a decision on the implementation of purchase of a track cover to efficiently provide for concerts and protection in football mode and during seat moves.

2. RECOMMENDATIONS

- 2.1. **NOTE** the items agreed under delegated authority, as well as items rejected as not appropriate or of sufficient priority for E20 spend
- 2.2. **AGREE** that the E20 Director can agree ordering of teraplas track protection, as long as the maximum contribution from E20 is £500,000 and drawn from the E20 discretionary fund

3. UPDATE

- 3.1. At the 30 March 2016 Board the E20 Director delegated authority for a number of items (e.g. access to CCTV, IPTV, artificial grass cover, goal line technology). These were within a delegation to approve up to £500,000 of items. Appendix 1 sets out the items that have been considered and either agreed or rejected, as well as £82,000 of CCTV and LED board delegations separately approved.
- 3.2. Of the total of £582,000 available, £368,675 has been committed. This leaves just under £215,000 available if needed.
- 3.3. Appendix 1 also shows that there is a potential for more requests, including Montfichet Road improvements costs, which are likely to come forward for approval and be vital to reducing stewarding and Westfield security costs.
- 3.4. The E20 Director will remain within the delegation by:
 - 3.4.1. Rejecting works that E20 are not responsible for;
 - 3.4.2. Seeking recompense from LLDC transformation budget for items the Director and E20 Capital Advisor believes should be provided within the transformation scope;
 - 3.4.3. Resisting pressure from WHU, English Premier League and other parties to expend funds on requirements that are not stipulated in the rules;
 - 3.4.4. Driving down the costs of items on the list.

4. TRACK PROTECTION

4.1. Need for Track Protection

The member's agreement provides for a synthetic track cover to the Athletics track (Schedule 4 Cl 2.04) and the Concession agreement provides for a synthetic track cover to be provided for in football mode (Schedule 3 Cl 2.6). Both of these clauses are non-specific in the type of cover. The track cover was identified in the G&T FFE Schedule and cost assessment with a budget of £250,000

There is a necessity for track protection to be provided for following purposes:

- During seat transition – to allow for cranes and heavy plant
- During athletics mode to protect track during concerts and other FOP events.
- During football mode to protect parts of track – tractors and other heavy plant for both building and FOP maintenance.

This protection could be provided either via a rental agreement or via outright purchase of track protection system.

4.2. Technical Solution

The Terraplas 'Terratrak plus' is a protection system for use in stadiums and large arenas specifically designed to address the needs of protecting turf and running tracks from heavy vehicular access; including cranes.

It is used worldwide both on leased and purchase arrangements; the latter arrangements include Wembley Stadium and Stade de France in Paris.

The system is a highly durable product with a life expectancy realistically in excess of 10 years (5 years guarantee)

4.3. Capital Costs

The capital costs to provide 7,500m² of a coloured (green to match FOP) protection system is £872,280 (exc VAT) and with inclusion of e/o costs for accessories and procurement fees, an overall budget of £900,000 should be allowed.

There is an opportunity to negotiate a marketing deal with the supplier that may reduce this cost by up to 10%. Making a revised allowance of £810,000.

4.4. Operating Costs

The installation of the 'Terratrak plus' system will provide both financial and time benefits during operation. The system would remain in place for the majority of the year and only be removed during athletics window for track events.

This reduces the labour costs to install and remove the protection system and provides valuable additional time to enable certain seat transitions to be commenced immediately without the need to install the track protection.

Storage for the system would be required during track events. There is an option that it may be possible to lease the protection system when not in use at the Stadium.

4.5. Procurement

LS185 would procure the track protection product.

4.6. Funding

E20 consider that LLDC Transformation has a funding obligation to the track protection.

4.6.1. The transformation works require a synthetic track cover. This is listed in a G&T FFE assessment (Feb 2014) at £250,000

LLDC transformation retains a requirement to deliver seat moves until such period as the system can be proven to be successful and handed over. Using purchased protection rather than hire in saves £77,000 per seat move

4.7. LS185 should contribute, as:

4.7.1. They have discretion over use of the FF&E budget to meet stadium needs

4.7.2. They benefit from 5% of income from events

4.8. E20 also benefit as a result of:

4.8.1. A more efficient long term solution to the seat moves and track protection

4.8.2. Share in the increased income from concerts from LS185 not having to hire in track protection. This is estimated to be **s.43**

4.9. It is therefore proposed that:

- LLDC contribute £300,000
- LS185 contribute £100,000 or absorb costs of marketing the product to secure 10% discount
- E20 contribute £500,000

4.10. E20 NPV Test

Assuming a £500,000 contribution, the NPV (Appendix 2) shows a very strong over 10 years of just under £154,000.

4.11. E20 Affordability

E20 has £2.0M left in the discretionary fund. This is a small amount, and there will be further calls on the fund to meet spend to save priorities and other E20 needs, including working capital. However, the NPV on this item is very strong, and the advantages of purchase now are significant.

Therefore members are asked to consider whether they wish to proceed or hold of decision until it is decided if working capital is taken from £14.2m discretionary fund.

Appendix 1: Table of Delegated Decisions

Appendix 2: NPV for Track Protection

Paper 8c

Appendix 1: Table of Delegated Decisions

Description	Amount (£)	E20 Director Decision	E20 Director Delegation Agreed	Contingent Risk	Others	Comment
Mountfitchet Rd access improvements	220,000	Pending	5,000	215,000	-	£5K Committed for feasibility works. Proven spend to save case, so likely to proceed.
Enhanced CCTV	163,371	Agreed	-	-	163,371	Transformation to fund + £65K contribution LS185
Power and data to enhanced CCTV	5,000	Agreed	-	-	5,000	Transformation to fund
Pitch side LEDs upgrade	70,000	Agreed	42,500	-	27,500	CR5 (E20 17M) Tran want £70K
Access to CCTV (QEOP)	40,000	Agreed	40,000	-	-	Spend to save previously approved
Hawkeye Goal line technology	13,500	Agreed	13,500	-	-	Installation nit part of transformation
Artificial grass	30,000	Agreed	30,000	-	-	Cover to Terraplas protection system (within pitch side LEDs)
Airwaves	393,000	Agreed	33,000	-	360,000	CR10 E/O Trans max £360K. Transformation budget meets £360,000
Players tunnel (under void)	8,000	Agreed	8,000	-	-	Agreed with LS185 paying for tunnel onto pitch. Director to seek to get included in void treatment but not assumed
Provision of medical buggy	6,000	Pending		6,000	-	Only if the buggy is able to have QEOP and LBN logos
Outside Broadcast (BT 2016/17 requirements)	3,000	Agreed	3,000	-	-	
Alterations to Flash interview rooms	35,000	Agreed	25,000	-	10,000	EPL 2016/17 requirement to provide 5 No. soundproof rooms, WHU require 7 No.
Power supplies under athletics track - growlights, broadcast - camera, interview positions, pitch side LEDs	25,000	Rejected	-	-	25,000	Transformation to fund (EPL requirements/should be included in base build)
Additional ducts under athletics track	30,000	Rejected	-	-	30,000	Transformation to fund - as above

Paper 8c

Access improvements (flattening) adjacent to Stratford Station	15,000	Agreed	15,000	-	-	E20/LS185 (email 17/05/16)
Protection to warm up track to create additional space for June 2016 concert promoters. (Mace/BB offices etc unavailable)	1,875	Agreed	1,875	-	-	Needed for concert. Available for future events
Provision of additional head trauma medical room closer to tunnel	15,000	Rejected	-	-	15,000	WHU requirement
Alterations to TV studio (Sky Requirements)	50,000	Rejected	-	50,000	-	Contingent risk for 2017/18
Visiting club analyst (2016/17 EPL requirements)	10,000	Agreed	10,000	-	-	Alteration required by EPL rules
Replacement of the bridge F07 transformation fixed bollards with removable bollards.	100,000	Agreed	100,000	-	-	Needed for the marathon route to be usable for the stadium. Also needed for mass participation runs. Final amount to be challenged, as E20 Director believes BB should have installed as removable
South East Tunnel - maintaining 9m access route for June 2016 concert	6,800	Agreed	6,800	-	-	Needed for concert.
Additional requirements to Press box	15,000	Rejected	-	-	15,000	E20 compliant with EPL, WH to fund additional requirements
Power and data to mid tier LEDS	5,000	Agreed	5,000	-	-	
Marginal cost of flexible signs (WHU branding items)	30,000	Agreed	30,000	-	-	Sum to be finalised as s.43 implemented"
Change of use from banquet seating to additional bar	100,000	Pending	-	100,000	-	To extend draught and capacity for selling alcohol in the Boleyn bar
TOTAL	1,390,546		368,675	371,000	650,871	

Budget estimates in italics. (Further detailed requirement may affect cost)

Paper 8c

Appendix 2: NPV for Track Protection

£m	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	10 year total	Notes
Track Protection cashflows												
Track Protection capital investment	-500.00										-500.00	
Track Protection Maintenance	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
Storage	0.00	-30.00	-30.00	-30.00	-30.00	-30.00	-30.00	-30.00	-30.00	-30.00	-270.00	Assumes £30k pa cost
		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
		0.00									0.00	
Track Saving for seat moves and concerts		122.00	122.00	122.00	122.00	122.00	122.00	122.00	122.00	122.00	1098.00	
											0.00	
LS185 5% of income	0.00	-6.10	-6.10	-6.10	-6.10	-6.10	-6.10	-6.10	-6.10	-6.10	-54.90	LS185 cost passed through
Total	-500.000	85.900	85.900	85.900	85.900	85.900	85.900	85.900	85.900	85.900	273.100	
At 3.5% discount factor	1.000	0.966	0.934	0.902	0.871	0.842	0.814	0.786	0.759	0.734		As per Treasury Green Book guidance.
Present value	-500.000	82.979	80.231	77.482	74.819	72.328	69.923	67.517	65.198	63.051		Total multiplied by the discount factor to allow for time value of money.
Net Present Value over 10 years	153.53											

Subject: Tickets for Stadium Events in 2016-17
Item; 9
Meeting date: 26 May 2016
Report to: E20 Stadium LLP Board
Report of: Martin Gaunt, Business Manager, E20 Stadium LLP

1. SUMMARY

- 1.1. This paper sets out the tickets available to E20 for events in the stadium, and the number and type of tickets E20 proposes to purchase for events in 2016-17. If the recommendations below are approved by the Board, the total cost to E20 would be:
- 1.1.1. **s.43** for tickets for E20 and its members (**s.43** more than the **s.43** provision in E20's business plan); and
 - 1.1.2. At least **s.43** for an Executive Box for its Naming Rights partner (payable by E20 as an activation cost for the partnership, in line with the provision in E20's business plan).
- 1.2. E20 will seek to minimise the future ticket costs by swapping tickets with LS185 (as explained in section 8 below). This is anticipated to bring E20 into line with the **s.43** provision for ticket costs in its business plan (if not in 2016-17, then at least in future years).

2. RECOMMENDATIONS

- 2.1. The Board is invited to:
- 2.1.1. **RECONFIRM** that it would prefer E20 to purchase tickets on behalf of its members, rather than members purchasing tickets themselves.
 - 2.1.2. **AGREE** that E20 purchases its full allocation of **s.43** VIP tickets per game for West Ham matches, at a cost of **s.43**.
 - 2.1.3. **AGREE** that E20 purchases tickets for AC/DC and Diamond League, costing **s.43** and **s.43** respectively.
 - 2.1.4. **NOTE** that E20 will aim to minimise its future ticket costs by agreeing a swap with LS185 that will give LS185 access to some of E20's tickets for West Ham matches, and E20 access to tickets for other events in the stadium.
 - 2.1.5. **AGREE** that, subject to the finalisation of the Naming Rights deal, and the rights it affords Mahindra, E20 purchases an Executive Box on behalf of the Naming Rights partner for all stadium events. The cost is **s.43** per season for West Ham matches, **s.43** for the Diamond League, plus the cost for other events as required. As currently drafted in the NR Heads of Terms, this is an activation cost for E20, rather than a cost for the naming rights partner.
 - 2.1.6. **AGREE** that E20's tickets should be shared between its members approximately in the proportion 65% LLDC, 35% LB Newham (aside from a

maximum of 5% allocation for E20 itself and whatever is agreed in the final naming rights deal).

- 2.1.7. **NOTE** that LB Newham are separately progressing with their ticket allocation for local residents for West Ham matches.

3. OVERVIEW

- 3.1. E20 and its members have been clear that:

- 3.1.1. They need to have a presence in the stadium on event days. These vary depending on the type of event, but E20 should have someone at every event in the first year of full stadium operation;
- 3.1.2. Access must be proportional, based on tangible benefit to the business and managed properly;
- 3.1.3. Ticket costs should largely be paid by E20 rather than by its members directly. A **s.43** annual provision has therefore been made in the E20 business plan.

- 3.2. As well as the E20 members, there are more significant benefits in allocating ticket access rights to our partners. A naming rights deal will include access to events, and LS185 can use them to host potential event promoters and provide access for 2nd tier rights holders that can be included in deals. LS185 currently don't have rights to this with West Ham.

4. WEST HAM UNITED MATCHES

- 4.1. The Concession Agreement gives E20 access to:

- 4.1.1. **150 General Admission** tickets for 22 matches per season (all 19 Premier League matches plus the first 3 cup matches at the stadium). These tickets are **free of charge**.
- 4.1.2. **30 Club London Hospitality** tickets, again for 22 matches per season. These are mid-range hospitality seats, located in the middle tier of the West Stand. There is access to a paid bar and restaurant - but no food or drinks are included. These tickets cost **s.43** each per season, so the **total cost is approximately s.43**.
- 4.1.3. **One Executive Box**, for use by E20's naming rights partner. This is at a **cost of s.43** (to be met by E20 as part of its offer to the naming rights partner).

- 4.2. E20 officers recommend that these tickets are taken in full, at least for West Ham's first season in the stadium. They would be distributed between LLDC, LB Newham, E20 itself, plus some tickets would be offered to LS185 (as part of a swap for access to tickets to other events. **The total cost to E20 would be s.43 plus s.43 in naming rights activation costs** (assuming the Mahindra deal is concluded).

5. AC/DC

- 5.1. As agreed with members, E20 are purchasing **30 hospitality tickets** at **s.43** each (total cost **s.43**) and **120 General Admission tickets** at **s.43** each (total cost **s.43**) for distribution between its members. **The total cost to E20 is therefore s.43**

- 5.2. LLDC have also requested a further 11 hospitality tickets (total cost £2750), which E20 are purchasing on their behalf and recharging to LLDC.

6. DIAMOND LEAGUE ATHLETICS

- 6.1. The UKA Access Agreement gives E20 the right to buy 400 general admission tickets.
- 6.2. Subject to confirmation from its members on the number of tickets required, E20 officers recommend the purchase of **200 General Admission tickets** (100 per day) at **s.43** each (total cost **s.43**).
- 6.3. E20 may also wish to purchase hospitality tickets. Previous discussions with E20's members has suggested that E20 should purchase **28 hospitality tickets** (14 per day), at £275 each, to allow its members and E20 partners to attend. This costs **s.43** but every effort will be made to secure these places at a reduced cost. It may well be that E20 members get invited to UKA's own hospitality, and this will replace the need to buy 28 tickets.
- 6.4. Assuming the Mahindra deal is concluded on the current Heads of Terms, E20 would need to secure an **Executive Box** on behalf of its naming rights partner, at a cost of **£6000** (to be met by E20 as part of its offer to the naming rights partner).
- 6.5. **The total cost to E20 would be s.43, plus s.43 in naming rights activation costs** (assuming the Mahindra deal is concluded).

7. 2017 IAAF AND IPC WORLD ATHLETICS CHAMPIONSHIPS

- 7.1. E20 has the same rights to General Admission tickets for the World Championships as it does for the Diamond League. E20 officers will consider ticketing requirements for this event later in the year and advise the Board at that stage. This event is not covered within the scope of this paper.

8. OTHER EVENTS

- 8.1. The Operator Agreement gives E20 the right to purchase 120 General Admission tickets and 30 hospitality tickets for every other event in the stadium.
- 8.2. Currently, the only other event scheduled in 2016-17 is the England vs Australia Rugby League match on 13 November.
- 8.3. Ticket requirements for this event, and other events once confirmed will be agreed with members in due course.

9. PROPOSED TICKET SWAP WITH LS185

- 9.1. E20 has no obligation to give LS185 any tickets. However, there is a value in allowing them to use them for partners, second tier sponsors and event promoters.
- 9.2. E20 officers have discussed the principles of an arrangement with LS185 whereby E20 would allocate them some of its General Admission and Hospitality tickets for West Ham matches, in return for LS185 securing tickets for E20 for the Diamond League and other events. This would reduce the number of tickets E20 would need to purchase direct from UKA and promoters, and therefore deliver savings on the costs indicated elsewhere in this paper. This is anticipated to bring E20 into line with the £70,000 provision for ticket costs in its business plan (if not in 2016-17, then at least in future years).

Report originator(s): Martin Gaunt
Email: martingaunt@e20stadium.com

Item: 10
Subject: Automatic Enrolment – E20 Pension Scheme
Meeting date: 26th May 2016
Report to: E20 Stadium LLP Board
Report of: Sally Hopper, Head of HR

1. SUMMARY

1.1. E20 does not have a pension scheme. The current workforce numbers 4, made up of three directly appointed E20 staff and one secondment. The existing workforce, having enjoyed pensions in their previous employment, is understandably keen to have a pension in place as part of their benefits package. To ensure E20 remain an employer of choice, the introduction of a pension scheme is seen as a key employment benefit. E20 will also be obligated to apply with Auto-enrolment from 2017.

1.2. Auto-enrolment is legislation which requires all employers to provide a pension scheme for their employees. The Government has staged the introduction of Auto-enrolment, starting with large employers first and working towards all employers being compliant by 2018. The staging date for E20 is to comply with the requirements of automatic enrolment from 2017

From 2017 E20 must automatically enrol all eligible staff into a pension scheme who are:

- Aged 22 to state pension age
- Working in the UK
- Earning over £10,000 per annum

1.3. The E20 Board have previously agreed to seek external advice on this matter and this advice has now been received and this paper serves as an update.

1.4. The External advice involved going to three providers Royal London, Aviva and Standard Life. Royal London is recommended on the basis that they have presented a good scheme and are not charging a monthly fee (based on options 2, 3 and 4) whereas Aviva have quoted £30.50 per month and Standard Life, £100 per month.

2. RECOMMENDATIONS

APPROVE the Head of HRs proposal to accept Option 1

The following options have been considered.

Option	Employer Contribution	Employee Contribution	Projected additional cost to Salary bill per annum based on existing salary bill of £187,000 (excluding on costs)

Option 1	6%	3%	£11,220
Option 2	8%	4%	£14,960
Option 3	10%	5%	£18,700
Option 4	1%	1%	£1,870

Option 1 is recommended on the basis that it futureproofs E20 compliance with Auto-enrolment 2019 requirements (see table 2.2) and is actually slightly higher. It is also prudent for the E20 Board to be above the minimum requirement (option 4) to remain an employer of choice, but equally not over commit financially upon the introduction of this new scheme. It is anticipated that option 4 would attract a fee from the selected provider Royal London.

- 2.1. As part of Auto-enrolment compliance, the Government has set minimum contributions on qualifying earnings and these will increase gradually over time. The cost of E20's minimum contribution E20 to comply is set out above as Option 4. Qualifying Earnings means salary wages bonuses, commission and statutory pay between the National Insurance primary threshold (£5,824 in 2016/2017) and an upper earning limit (£43,000 in 2016/2017)

Date	Employer minimum contribution	Total minimum contribution
Employer's staging date to *05/04/18	1%	2% (including 1% staff contribution)
*06/04/18 — *05/04/19	2%	5% (including 3% staff contribution)
*06/04/19 onwards	3%	8% (including 5% staff contribution)

3. Financial Implications

- 3.1. The Board are requested to review the options table, and agree which employer and employee % they would like to take and to agree the resultant projected costs based on the existing salary budget. The recommendation is option 1.
- 3.2. The set up fees payable to the Pensions Adviser are as follows:-

Preparation	£1000.00
Implementation	£1500.00
Employee presentations	£ 500.00

- 3.3. The amount E20 must contribute to the pension scheme is determined by the scheme's rules. However, based on automatic enrolment there are minimum contributions the employer must pay. The contributions are currently a total contribution of 2% with at least 1% employer contribution as outlined in the table shown above.

Report originator(s): Sally Hopper, HR Support to E20
Email: sallyhopper@londonlegacy.co.uk

Agenda

Meeting: E20 Stadium LLP
Date: 23.06.16
Time: 12:00 – 14:00
Meeting Venue: One Stratford Place, Level 10, Marketing Suite.

Member Representatives Expected:

David Edmonds (LLDC and Chair), David Gregson (LLDC), Nicky Dunn (LLDC), Lester Hudson (NLI), Katharine Deas (NLI)

(Ex-Officio Members) David Goldstone (LLDC), Kim Bromley-Derry (NLI)

Also Expected:

Alan Skewis (E20), s.40 (E20); Martin Gaunt (E20); s.40 (E20); s.40 (NLI); Colin Naish (LLDC), Gerry Murphy (LLDC)

Apologies:

Agenda Items

1. Welcome and Apologies
2. Minutes of the meeting held on 26 May 2016
3. E20 Director Update
4. Lessons Learnt from ACDC Concert
5. Transformation Update
6. Capital Investments: Delegated Authority Items
7. Track Sale Project
8. AOB

Date of the next meeting: 29th July, 10:00 – 12:00, One Stratford Place, rooms one and two.

Please note, the August Board meeting has been cancelled

Subject: E20 Director Update
Meeting date: 23.06.16
Agenda Item: 3
Report to: E20 Stadium LLP Board
Report of: Alan Skewis, Director of E20 Stadium LLP

1. SUMMARY

1.1. This report provides the E20 Stadium LLP Board (“the Board” or E20) with an update from the Director and E20 team on various work streams. This report, and future reports from this Director will focus on the key risks and opportunities facing E20. They also provide a context for decisions included in other reports.

2. RECOMMENDATIONS

2.1. The Board is invited to:

2.1.1. **NOTE** the report

2.1.2. **AGREE** a delegation allowing for the long form contract to be entered into at the appropriate time by the E20 Director, a nominated NLI and LLDC Board member on condition it does not materially differ from the heads of terms

3. DIRECTOR OVERVIEW

3.1. In the month since the last Board meeting the stadium has made significant progress in a number of areas.

3.2. During the past month:

3.2.1. heads of terms for a naming rights deal with Mahindra have been signed

3.2.2. The stadium has hosted a hugely successful first concert, LS185 have further demonstrated their ability to operate the venue effectively

3.2.3. While Balfour Beatty are still on site until July 13th the venue feels like it is less of a construction site, and more of an operational venue

3.2.4. A Shell conference is being accommodated in the stadium from 30 June to 1 July

3.2.5. Work has started on the Exterior Wrap and Screen

3.2.6. WHU are moving into their shop and ticket office

3.2.7. LS185 hosted a number of promoters at the stadium at the ACDC concert, and are reporting they should secure at least 7 nights of events in May-June 2017, as well as be included as a potential venue in the 2021 Rugby Football League World Cup bid

3.2.8. It has been confirmed, and agreed with the GLA that Major League Baseball will not take place in 2017.

3.3. These are very significant milestones, and have further demonstrated that the stadium is an impressive venue with the ability to drive revenues, provide a significant contribution to the area and promote East London.

- 3.4. This progress has reduced a number of the risks reported to the Board. The updated risks are as follows, with changes shown in bold:

S.43

4. FINANCIAL POSITION

- 4.1. E20 remains in a delicate financial position that requires it to return to its members for significant working capital.
- 4.2. E20 has modelled its working capital requirements based on the business plan (adopted by the Board on 30 March), adjusted to reflect latest forecasts (e.g. projected naming rights income) and an additional allowance for contingency.
- 4.3. E20 formally wrote to its members on 22 April setting this out in detail, and requesting up to an additional £7m to meet its working capital requirements.¹ This is assessed as the working capital necessary to bridge the gap until the point where E20 begins to generate a surplus – assessed as Q4 2016-17.
- 4.4. Members should note that whilst this represents a relatively prudent assessment, any major adverse movements in E20's business plan (e.g. major increase in retractable seating movement costs, or no naming rights deal) could see E20 fail to return a surplus, and therefore require additional working capital.
- 4.5. E20 is working with members to secure approval for the additional working capital by the end of June 2016. Resolution of the issue is required by then in order for E20 to continue to pay its bills. However, E20 respects that both members have to follow due process on a difficult ask of its organisations.
- 4.6. In addition to the E20 business plan the E20 Board has £14.2m discretionary funds available to it. An assessment of the financial impact of Board recommendations is set out in Appendix 2. It shows that if the recommendations in the May 2016 E20 Board papers are agreed, and there is no contribution to working capital from this fund there is just over £1m in the fund left.

5. NAMING RIGHTS

- 5.1. The head of terms for the Mahindra deal have been signed. **S.43**

- 5.2. **S.43**

6. STADIUM READINESS IN AUGUST 2016

¹ Note that £3.16m of the £7m requirement is actually to fund the working capital used by E20 in 2013-14 and 2014-15. This follows a change in policy agreed by E20's members on 11 April 2016 that all E20's historic working capital needs should score against its prior working capital allowance (not just the 2015-16 financial year, as previously assumed). The balance of the £7m requirement (£3.84m) is to meet E20's peak shortfall in 2016-17.

- 6.1. Hosting the ACDC concert has provided assurance that the stadium is a safe, secure and high quality venue. This significantly reduces risks.
- 6.2. Handover is planned for the 13 July. It will be a major milestone for the venue. An increasingly good working relationship between BB, LS185, E20, LLDC and WHU is helping make matters work. Hosting a major Shell conference at the end of June is a tangible example of this.
- 6.3. In addition to Balfour Beatty contract, there is still work to do.
- 6.4. The main issues are now:
 - 6.4.1. Movement of the retractable seats (Red)
 - 6.4.2. Egress through Westfield (Red)
 - 6.4.3. LS185 concerns over the state of some documents and plant/equipment they will inherit (Amber)
 - 6.4.4. Lack of clarity between LLDC transformation, E20 and LS185 scope means that items are not ordered in time, or simply assumed to be provided by another party (Amber)
 - 6.4.5. Incomplete external wrap and digital screen on the stadium (Amber for end August, Red for end July)
 - 6.4.6. Agreeing colourways and logos on the void treatment, and then getting the void treatment in place before the 1st Premier League game (Amber)
 - 6.4.7. Criticism from West Ham United on items not completed (Amber)
- 6.5. All of these items will be progressed at speed, but prioritisation of time means that it is unlikely all of them will be fully installed and operating until September 2016.

7. RETRACTABLE SEATS MOVE IN JULY / AUGUST 2016

- 7.1. This remains the highest short term reputational and long term operational, risk for E20.
- 7.2. The seating system installed as part of the transformation works is not delivering to the expectations set out when E20 agreed the approach in December 2013. E20 will not accept handover of the retractable seating system from LLDC transformation in 2016. Instead LLDC will manage the seat moves.
- 7.3. LLDC have reported that moving the seats during the 14 days between the 23rd July Athletics event and the 7th August marquee West Ham v Juventus match will be challenging.
- 7.4. s.43 [Redacted]
- 7.5. s.43 [Redacted]
- 7.6. s.43 [Redacted]
- 7.7. s.43 [Redacted]
- 7.8. s.43 [Redacted]
- 7.9. s.43 [Redacted]

8. WESTFIELD

- 8.1. Westfield are concerned that use of the stadium is impacting on their customers. The degree to which this is the case depends on the nature of the event, and the timing of ingress and egress.
- 8.2. Westfield raised issues over the ACDC egress, even though a late Saturday evening egress was good compared to other events.
- 8.3. The main focus for Westfield's concerns are football matches, as these are unknown, and have the poorest spectator reputation. Plans to avoid football spectators accessing the Westfield estate (other than at the station accesses and town centre Link Bridge station) have partially addressed concerns, but they remain nervous about the impact. They are also seeking to recoup costs and secure indemnities from E20 and L2185.
- 8.4. The stadium egress issues are a reflection of wider issues about the capacity of Stratford station. While the short term focus is on managing the current position, consideration needs to be given to wider future development of the station. A further station access point on the stadium side that avoids Westfield would address many of the issues, but would be expensive.

9. DISPUTED COSTS

- 9.1. LS185 are yet to formally respond to the E20 offer agreed at the last Board. They have asked for some clarifications and the E20 Director believes we are close to an agreement.
- 9.2. A verbal update will be given at the meeting.

10. OPERATOR

- 10.1. There are no additional issues to report from May 2016, other than to recognise the immense effort made by the LS185 team in the period leading up to, and at the ACDC concert. The need for such an effort re-enforces the belief that the operational team are excellent and committed. The degree to which resources were stretched does suggest that Vinci underestimated the resources needed to open and run the stadium in 2016/17. It should be noted that a request for greater fixed costs was included in their disputed costs proposal, but rejected by E20 as it was not affordable and could lead to a challenge as it was integral to their bid.

11. EMPLOYMENT & SKILLS

- 11.1. The Operator Agreement places employment and skills obligations on LS185, notably around job and apprenticeship opportunities for local people (in particular Newham), and payment of London Living Wage. These form a key part of the wider benefits E20 are seeking to deliver for the stadium, on behalf of its members.
- 11.2. The LS185 plan (setting out how it will meet these objectives) and certain figures are long overdue. This is partly due to a prior focus on operational matters and a lack of capacity in the LS185 team, and partly due to complications with regard to TUPE matters. Nevertheless, this is a key contract requirement and must be properly addressed. To that end, the relevant employment and skills contacts in LLDC and Newham, together with E20, met with Linda Lennon on 17 May to agree necessary steps.
- 11.3. LLDC is now supporting LS185 with the development of their jobs and skills arrangements by providing a resource (Beth Webber, Employment and Skills Manager) on a one day a week basis. She will support LS185 in getting up to speed with delivery of the jobs and skills work stream, and ensuring employment and apprenticeship opportunities are maximised for Newham residents. She will also support the LS185 team with the

preparation of their Employment and Skills plan to a revised deadline of the end of July. This will be shared with the Board, with further advice, at the subsequent Board meeting.

Attachments:

- **Appendix 1: Europa League Options and Seating Plan**

Appendix 1: Europa League Options

S.43

Plan A: Europa League Game Seating based on Option A

S.43

Appendix 2: E20 Discretionary Fund Status

Status	Item	23-Jun	Best Case (£)	Likely Case (£)	Worst Case (£)	Notes
Provision for additional stadium works		14.286	14.286	14.286	14.286	
Allocated or spent	First phase MLB works	-0.742	-0.742	-0.742	-0.742	Initial investment already spent to facilitate MLB and other sports
	Digital wrap design costs	-0.6	-0.6	-0.6	-0.6	Sunk costs on previous wrap proposal
	Widening stadium gangways	-0.74	-0.74	-0.74	-0.74	Investment already approved
	Hard FM Services for 2015 events	-0.673	-0.673	-0.673	-0.673	E20 Board (30 March) agreed this is allocated in full to E20
	IT Active Equipment / switches	-0.316	-0.316	-0.316	-0.316	E20 Board (30 March) agreed 80% of the £395k cost is attributed to E20
	Access to CCTV	-0.04	-0.04	-0.04	-0.04	Spend to save measure already approved
Uncommitted funding remaining		11.175	11.175	11.175	11.175	
Funding approved by the E20 Board, but not yet spent	Contribution to track cover/artificial grass, TV studio, goalline technology	-0.114	-0.064	-0.114	-0.2	Up to £0.114m approved by the E20 Board on 30 March 2016.
	Mid tier LEDs	-0.36	-0.36	-0.36	-0.36	Up to £0.3m approved by the E20 Board on 30 March 2016. Mid tier LEDs only (not upper tier). £60k balance can be met from within provision for "spend to save" measures as below.
	Additional "spend to save" measures	-0.5	0	-0.5	-1	Up to £0.5m approved by the E20 Board on 30 March 2016.
Funding remaining		10.201	10.751	10.201	9.615	
Items where E20 has limited discretion or control	Disputed costs with LS185	-2.859	0	-3	-6	Dispute resolution procedure with LS185 ongoing
	Airwaves	-0.033	-0.033	-0.033	-0.033	E20 liability to fund cost above £360k
	2016-17 additional working capital requirement, including Naming Rights shortfall	0	0	0	2	Working capital requirement is such that it no longer looks feasible to fund from the £14.286m budget.
Funding remaining		7.309	10.718	7.168	5.582	
Discretionary items	s.43					
	IPTV	-0.25	0	-0.25	-0.25	Responsibility between transformation and E20 tbc
	Pitch side LEDs upgrade	-0.042	0	-0.042	-0.07	E20 may be required to fund upgrade of the size/extent of the LED boards, to satisfy West Ham and LS185 request
	Teraplas	-0.5	-0.5	-0.6	-0.63	Agreed at May Board, revised amount in paper at Board
Funding remaining (negative figure denotes an	Second phase MLB works	0	0	0	-0.75	LS185 to decide if recommend based on whether this is an attractive event compared to others
		1.517	5.218	1.276	-2.118	
Contingent liability to LLDC relating to pContribution to BB Disruption Costs		0.4	0	0.4	0.5	Sums not agreed with LLDC

Subject: AC/DC feedback
Item: 4
Meeting date: 23 June 2016
Report to: E20 Stadium LLP Board
Report of: s.40, E20

1. SUMMARY

1.1. This update report focuses on feedback received from members of staff who attended the AC/DC on the 4th June at the Stadium.

2. RECOMMENDATIONS

2.1. The Board is invited to **NOTE** the report and actions

3. EVENT SUMMARY

3.1. The event attracted just fewer than s.43 spectators, with the number impacted by returns following the replacement with the ACDC lead signer with Axl Rose 2 months prior to the event.

3.2. At the time of sending this report the LS185 formal report has not been received. This will be forwarded to members once received.

3.3. It should be noted that LS185 operations were not the norm, as:

3.3.1. The venue was temporarily handed to them by Balfour Beatty for the event, who ran the FM services

3.3.2. A small number of items were not working or available

3.3.3. They had limited time to familiarise staff

3.4. It should be noted that the LS185 team delivered in these unusual circumstances. The commitment of the team to deliver a high quality event was paramount.

3.5. It should also be noted that the LBN statutory authorities and the QEOP teams running the park undertook their duties exceptionally well.

4. SUMMARY FEEDBACK

4.1. The table below summarises feedback from a number of sources who attended the event. It does not include the statutory authority feedback, and is a work in progress as other views are still being incorporated.

4.2. Overall, the feedback supports the conclusion that:

4.2.1. The event was a success

4.2.2. It will build the stadium's reputation as a concert venue. A number of promoters attended, and gave positive feedback on the venue. However, we should not underestimate the competitiveness of other venues and the need for LS185 to negotiate commercially with promoters

4.2.3. The in-stadium experience is very good, with specific areas to improve

- 4.2.4. There are egress challenges at Stratford station
- 4.2.5. The performance of LS185 was very good, but demonstrated how stretched their resources are
- 4.2.6. The performance of stewards, including familiarisation, was variable
- 4.2.7. The last minute hand over left some gaps (e.g. not all lifts working), and identifies some defects (e.g. disability access)

Appendix 1: Stadium Milestone dates and Activity from May to August 2016

Appendix 1: ACDC Feedback

Area	Positives	Negatives	Actions
Transport	Easy to get to the Stadium. Trains were running with no disruptions.	Limited parking available as Westfield was very busy with shoppers Distance between stadium and Stratford station	LS185 to review Westfield correspondence and meetings scheduled
Entering the Stadium	Crowds were flowing at a steady pace with minimal queueing to get into the Stadium.	No Comments	LS185 to review
Exiting the Stadium	Attendees that left a little while before the end had no problems exiting the Stadium.	Not all of the gates leading to the stairs from the main field of play were open and people were jumping over the barrier lines and ignoring security staff's instructions.	LS185 to review
Catering/Cleaning	A varied selection of food available No clean in park during event	Limited variety of beer available with some kiosks running out. Stocks were not being replenished on a frequent basis resulting in some drinks being warm. Quality of food was a little poor. During the concert, some of the toilets became unusable due to being unclean, dirty and running out of toilet roll.	LS185 to review
Wayfinding	No Comments	No wayfinding as you came out of Stratford Station. Majority of people followed the crowds. Limited signage in the Stadium to toilets. Signage would have been helpful for people who had coloured wristbands on. Better signage for Bridge numbers would	Volunteers at Northern ticket hall to direct spectators provide by LBN / QEOP programmes

		be useful.	
Queues	Queues into the Stadium were minimal. Helped having a variety of bridges to come over to get onto Stadium Island.	No queue systems were in place at the kiosks and several tills were operating which made it a little hard to establish who was queuing for which till. Some of the tills only took cash but there was no signage indicating this to people so some people had to move along to the next till point to pay. Signage above till points may be useful.	LS185 to review
Security	Security checks were in place on the Bridges before coming onto Stadium Island. Good signage and directions for people who had seats and those who were standing. Made the checks flow easily. Polite security staff asking if OK to check bags.	Attendees starting getting pushy and aggressive towards each other but no security staff intervened. Some security staff were quite aggressive to public and being quite "hands on"	LS185 to review
Spectator Experience	Great atmosphere in the Stadium Set for AC/DC was impressive	Some limited number of social media comments on acoustics	LS185 to review
Helpfulness of stewards	Stewards were friendly and polite.	Some stewards were unfamiliar with the Park and surrounding areas so were unsure where to send people. Social media comments that stewards were giving out wrong information.	LS185 to review

Item: 5
Subject: Stadium Transformation Update
Meeting date: 23 June 2016
Report to: E20 Stadium LLP Board
Report of: Colin Naish, LLDC Executive Director of Stadium

1. Summary

- 1.1. This report provides an update to the Board on the progress of the stadium transformation works with completion and handover to the Operator scheduled for 13 July 2016, notes the ongoing seating transition works and the impact of West Ham's qualification for the Europa League, and presents the plan for the procurement of the longer term stadium relocatable seating operation and maintenance contractor for the Board's approval.

2. Recommendations

- 2.1 The Board members are invited to:
- 2.2 **NOTE** the update on transformation works progress.
- 2.3 **NOTE** the impact of the Europa League game on the seating transition works period.
- 2.4 **APPROVE** the Operation and Maintenance of Stadium Relocatable Seating Procurement Plan and the launch of the tender process.

3. Remaining Works

- 3.1. Work in the stadium is progressing to the accelerated programme towards completion on 13 July. Within the bowl the new Mondo track installation is complete and the Desso pitch has been seeded.
- 3.2. External to the bowl, the Mondo to the community track is laid, the car park and broadcast compound are complete and the Olympic Bell is installed. Works to install the Bobby Moore Statue and Champions Place are underway.
- 3.3. Outside of Balfour Beatty's scope, the fit-out of the hospitality areas by Portview were largely complete and used for the concert, snagging is ongoing; their completion date is 27 June.
- 3.4.



S.43

- 3.5. West Ham are close to completing the fit-out of their lease areas and are preparing for the migration of their staff and the opening of their shop on 23 June.
- 3.6. E20 have appointed Mace to act as Principal Contractor to coordinate the various E20 and WHUFC led post-transformation works.

4. Shell Eco Marathon

- 4.1. In order to facilitate Shell's Powering Progress Together Conference, a key component of Shell's Eco Marathon programme of events being held throughout the South Park, E20 have reached agreement with Balfour Beatty for the use of the West Stand hospitality facilities for a period of four days at the end of June in advance of Balfour Beatty's contract completion date of 13 July.

5. 2016 Seat transition

- 5.1. The process of transitioning the relocatable stadium seating into pitch mode is now underway. The first stage is to transition the east stand in advance of the July athletics events (as there is insufficient time to transition the east stand post 22/23 July Diamond League athletics and be ready for West Ham's pre-season friendly against Juventus on 7 August), with the second stage (transition of the north, south and west stands) being undertaken in the challenging two week period post the Diamond League athletics event.

- 5.2. s.43
- 

6. Stadium relocatable seating operation and maintenance contractor procurement

- 6.1. s.43 in the spring of 2016, interim contracts were put in place to ensure the successful transition of the stadium seating this summer from athletics mode into pitch mode following the Athletics events on the 22nd – 23rd July and before the first West Ham home game on 7th August. These interim contracts are due to expire in November of this year.
- 6.2. The objective of the procurement is to engage a longer term contractor for a period of 5 years from December this year, to maintain the system to ensure its continuing safe use, and to undertake seating transition works between athletics and pitch modes, including the potential for additional works involving bespoke seating arrangements. This contract will be let by E20, but will enable a subsequent novation to LS185.
- 6.3. Due to the limited nature of the market, and the requirement to incorporate lessons learnt from summer transition moves into the tender documentation, it is proposed that an Open OJEU Procedure is followed. Furthermore, due to the specific nature of the works being procured, it is proposed that a bespoke form of contract is utilised.
- 6.4. The number one risk within the procurement plan is the failure to complete the transition in the required period to mitigate this risk the following incentivisation measures are proposed:
- Utilisation of a target cost with an associated pain / gain mechanism
 - Bonus incentives based on year on year reductions in transition times leading to achieving the target 7 day transition and;
 - Ability for E20 to terminate the contractor if performance is not deemed adequate (with potential loss of further years' work)
- 6.5. It is intended to launch a Prior Information Notice (PIN) on the 24th June 2016 in order to engage the market and to ensure that there is sufficient interest in this opportunity.
- 6.6. Following this, a Contract Notice and ITT are planned to be launched on 5th September 2016, with the procurement process completed and contract awarded by the 29th November 2016.

Appendices

Appendix A – Monthly Transformation Dashboard to 31 May 2016

Appendix B – Operation and Maintenance of Stadium Relocatable Seating Procurement Plan

Report originator(s): Colin Naish

Email: colinnaish@londonlegacy.co.uk

S.43

DATA

CBB

AFC

Nett CBB
Actual
Earned
Cum. CBB
Cum. Actual cost
Cum. Earned Value

AL
Graphs
used
only

Budget Dynamic Forecast
Cost Forecast
Cum. Budget Forecast
Cum. Cost Forecast
Nett CBB
Nett CBB
Cum. CBB
Cum. Actual cost
Cum. Actual cost

SPI
CPI

Tier 1 EV (values taken from PSR's)

Procurement Plan

Operation and Maintenance of Stadium Relocatable Seating

Organisation	London Legacy Development Corporation
Date	17 th June 2016
Purpose of issue	Draft Issue for Comment
Title	Stadium Seating Procurement Plan
Author	s.40
Location	
Contributors	
Distribution	
Status	Draft
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Version:	Date:	Status:	Reason for Change
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1.1	15/6/16	Draft	Incorporate s.40 Comments
1.2	17/6/16	Draft	Incorporate C Naish Comments

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Approvals

Name	Organisation	Role	Signature	Date
s.40	LLDC	Procurement Manager		
Mike Smith	LLDC	Head of Procurement		
Colin Naish	LLDC	Senior Responsible Officer		
s.40	LBN	Head of Procurement		
Alan Skewis	E20	Director		

1. Executive Summary

Following the determination of the contract with the current seating contractor, SAPA, in the spring of this year, interim contracts were put in place to ensure the successful transition of the stadium seating this summer from athletics mode into pitch mode following the Athletics events on the 22nd – 23rd July and before the first West Ham home game on 7th August. These interim contracts are due to expire in November of this year.

The objective of this procurement is to engage a longer term contractor for a period of 5 years from December this year, to maintain the system to ensure its continuing safe use, and to undertake seating transition works between 'athletics' and 'pitch' modes, including the potential for additional works involving bespoke seating arrangements. This contract will be let by E20, but will enable a subsequent novation to LS185.

The main risks associated with these works include the following:

- Completion of a transition within the required 7 day period;
- Condition and completeness of the existing seating system, and;
- Failure of the seating during an event.

The above risks, including that associated with the Contractor's interface with the general public during event days and with the incumbent stadium operator, LS185 have been considered in this report, with owners assigned and mitigating actions proposed and included in the tender and contract documentation.

Due to the limited nature of the market, and the requirement to incorporate lessons learnt from summer transition moves into the tender documentation, it is proposed that a PCR 2015 compliant Open Procedure is followed. Furthermore, due to the specific nature of the works being procured, it is proposed that a bespoke form of contract is utilised.

It is intended to launch a Prior Information Notice (PIN) on the 24th June 2016 in order to engage the market and to ensure that there is sufficient interest in this opportunity.

Following this, a Contract Notice and ITT are planned to be launched on 5th September 2016, with the procurement process completed and contract awarded by the 29th November 2016.

2. Introduction

This Procurement Plan is intended to provide E20 with assurance that this procurement:

- has been assessed for risks that impact on the procurement and those risks have been properly addressed or mitigated;
- has been packaged and planned such that the scope and evaluation model underpin the objective of securing best value-for-money;
- has been planned carefully so as to minimise the risk of a successful challenge; and
- will comply with the E20 Procurement Code.

3. Project Objectives and Scope of Procurement

3.1 Scope

As a result of Alto Seating Systems Limited entering creditors' voluntary liquidation in October 2015, and E20's subsequent determination of the design and build seating contract with Sapa Profiles UK Ltd (Alto's unincorporated joint venture partner) in the spring of this year, interim contracts were put in place to ensure the successful transition of the stadium seating this summer from athletics mode into pitch mode before the first West Ham home game on 7th August.

These interim contracts are due to expire on 30th November 2016. A longer term seating contractor is therefore required to undertake the following works from 1st December 2016 for a period of 5 years:

- Reactive and Planned Maintenance works;
- Seating transitions from pitch to athletics mode and back to pitch mode in the summer of the following years:
 - 2017;
 - 2018;
 - 2019;
 - 2020, and;
 - 2021.
- Ad-hoc seating transitions as required for further events to be held at the stadium, and;
- Implementation of any seating system improvements.

The interim contracts include the requirement to undertake a test build of the stadium seating prior to the required transitions, to undertake a full inventory check of all required materials and parts required to transition the seating, and also following the seating transitions to undertake a programme of lessons learnt workshops and feedback to identify specific areas of best practice and also any issues requiring improvement.

These additional requirements will feed into and inform the tender and contract documentation for the longer term seating contractor in order to better inform the future contractor and to deliver best value for E20.

3.2 Interfaces

Apart from E20, the main contractor interfaces will be with the public and with the stadium operator, LS185.

Public Interface

The contractor will be required to maintain a presence at the Stadium during events to ensure that any reactive maintenance requirements are dealt with as an emergency response. This requirement shall be incorporated into the contract documentation.

LS185

Both during events at the Stadium and during transition periods when the seating operational mode is being changed, there will be a large interface between the contractor and the operator of the stadium, LS185. Clear lines of responsibility shall be set out, that deals with access and delivery management of materials into the Stadium.

Insurance requirements shall also be set out in detail, in order to ensure that the responsibility for the operation and maintenance of the seating is adequately defined.

This contract is being procured and initially managed by E20. In due course however LS185 may take on the responsibility for the seating transitions. This contract will therefore include a provision for novation to LS185, giving the operator the option of contracting directly with the successful contractor. In the event that LS185 do not take on responsibility for the seating, E20 will remain liable for the seating transitions for the full 5 year period.

4. Risk Identification and Management

The following top five risks have been identified, with the proposed mitigating actions to be addressed within the contract documentation:

No	Risk	Owner	Description	Mitigation
1	Completion of works within the required transition periods	E20	Failure by Contractor to meet required deadlines of transition period	Bonus payments for completion on time, deduction of fee for late completion. Termination at will for poor performance, and recovery of costs for replacement contractor to undertake works
2	Condition of Existing Seating	E20	Required seating components are not available to the Contractor at the Contract Commencement Date as: (a) not all pitch mode components will have been installed (in the bowl) or transitioned (either way) before the new Seating Contractor is appointed, and; (b) seating will not have been previously transitioned from athletics to pitch mode	Ensure full inventory check is undertaken by interim seating contractor prior to these works commencing, with any missing components identified and sourced prior to the first transition
3	Failure of Seating	Contractor	Poor workmanship leads to failure in seating system during an event	Planned and preventative maintenance regime is undertaken. Checks following completion of transition move and prior to an event. Ensure adequate insurance provisions are in place
4	Working at Height	Contractor	Failure of H&S methodology leads to accident / failure in safe system of work	Method statements submitted by Contractor and approved by E20. Close supervision. Daily inspections
5	Interface with LS185	E20	Poor working interface between contractor and E20 leads to delay and disruption	Ensure interfaces are clearly defined and articulated in the contract documents. Access arrangements / deliveries / logistics and matrix of responsibilities clearly sets out who is responsible for managing which aspects of the works

5. Proposed Procurement Route

Due to the limited nature of the market, and the requirement to incorporate lessons learnt from the August transition move into the tender documentation, it is proposed that a PCR 2015 compliant Open Procedure is followed, including the utilisation of Contracts Finder. Following this procedure has the potential to increase the evaluation period due to the possible high number of tenderers, however is deemed to be the optimal route as it does not require a separate PQQ process, and due to the specialist nature of the contract we do not anticipate a large number of tenderers.

The GLA Collaborative Procurement service is not proposed as it does not include for the scope of works covered under this procurement.

There are no framework agreements available to cover this scope of work.

6. Contract Strategy

6.1 Form of Contract

Due to the combination of works and services being procured (including an ongoing maintenance requirement), the NEC 3 contract was not deemed suitable. Following consultation with the TfL legal team, it was proposed that a bespoke form of contract be utilised. TfL legal subsequently commissioned Gowling WLG to undertake the drafting of this contract which, subject to final review is complete and ready for issue.

6.2 Reimbursement / Payment

6.2.1 Payment

As Sapa are yet to complete the component manufacture and delivery of the football mode components (due 30th June 2016), a full transition of all stands in parallel has not yet been undertaken and as a consequence, neither the initial actual cost for the seating transitions moves, nor the exact time required, is currently known. However, once the seating transitions have been completed this summer under the interim contracts, methodology and programme data will become available in time for inclusion in the tender documents for the longer term seating contractor. This information, combined with detailed cost information available to E20 will better equip both the market and E20 to accurately estimate and determine best value proposals, and also to inform any proposed incentivisation regime.

Given the nature of the works and the requirement to adequately incentivise the contractor, it is proposed to utilise a target cost method of reimbursement in order to drive in best value and promote collaborative working practices.

6.2.2 Bonus Scheme

E20's contract with LS185 requires the seating transitions to be completed within a 7 day window. E20 therefore need to implement an incentivisation mechanism within the longer term contract to ensure that the contractor is incentivised to achieve a seating transition in a 7 day period.

As well as the introduction of bonus incentives for year on year reductions in transition times leading to achieving the target 7 day transition, delay damages were also initially considered as a way of incentivising the contractor to complete the works within the required timeframes. This was discounted for the following reasons:

- Given the potential difficulty of performing to time, tenderers are expected to price in the risk of missing the deadline into the rates whereby E20 therefore pay a risk premium;
- E20 would not be able to levy the genuine pre-estimate of loss figure for non completion of the works, as this level of damages would be prohibitive to the market, and;
- Any level of damages therefore levied would be significantly less than the loss incurred by E20 and would be purely punitive.

It was therefore considered that the following incentives would be the best mechanism to incentivise the contractor to complete by the required date:

- Utilisation of a target cost with an associated pain / gain mechanism;
- Bonus incentives based on year on year reductions in transition times leading to achieving the target 7 day transition, and;
- Ability for E20 to terminate the contractor if performance is not deemed adequate (with the potential loss of further years work).

7. Market Insights

The following companies have been identified as potential suppliers who would be interested in submitting a tender for the works:

- PHD Modular Access;
- ES Global;
- Arena Seating;
- Star Events, and;
- GL Events.

Following the launch of the PIN, these companies will be contacted in order to inform them of this opportunity.

Both Project 7 and ES Global have previously worked with the incumbent seating contractor SAPA, and are now currently working for E20 under the interim contracts for the 2016 summer seat transition. Star Events have been part of E20's External Technical Review Team throughout the Alto/Sapa contract period and are providing transition advice as part of the 2016 summer seat transition integrated team. Star Events and Project 7 (a subsidiary company of PHD Modular Access) greatly assisted E20 in mitigating the risk of the seating not being available for the 2015 events.

8. Procurement Programme

<i>Milestone</i>	<i>Planned Date</i>
Procurement Plan Approval by E20 Board	23 rd June 2016
Launch PIN	24 th June 2016
Publish OJEU Notice	5 th September 2016
Issue ITT	5 th September 2016
Deadline for Tender Return Date	7 th October 2016
Contract Award	29 th November 2016

9. Outline Evaluation Plan

It is proposed to utilise a 70% technical 30% commercial scoring regime.

The commercial score will be based on the target cost submissions returned with the tender responses. Tenderers will also be required to provide direct and subcontract fee percentages. These will be applied to an assumed value of compensation events to produce a Notional Price which will form the basis of the Tenderers commercial submission.

LS185 will be invited to participate in the tender evaluation process.

The technical scores are intended to be split as follows:

<i>Item</i>	<i>Evaluation Plan</i>
Management & Governance	5%
Key People	5%
Delivery of the Works	15%
Methodology	10%
Contractor Design	10%

Risk Management	10%
Quality Management	5%
Cost Management	8%
Priority Themes	2%

Subject: E20 Delegated Capital Spends
Item: 6
Meeting date: 23 June 2016
Report to: E20 Stadium LLP Board
Report of: Alan Skewis, Director and s.40, Capital Advisor

1. SUMMARY

1.1. This report updates members on allocation of delegated amounts to the E20 Director at the 26th May meeting.

2. RECOMMENDATIONS

2.1. **NOTE** changes to the items agreed under delegated authority, including allocation of just under £100,000 since the last Board

2.2. **AGREE** that a maximum of £500,000 E20 discretionary funds should be used to purchase a teraplas surface for the stadium. For the avoidance of doubt this is separate and additional to the £500,000 delegated authority figure.

3. UPDATE

3.1. At the 26 May 2016 Board the E20 Director delegated authority for a number of items (e.g. IPTV, artificial grass cover, goal line technology). These were within a delegation to approve up to £500,000 of items.

3.2. Appendix 1 provides an updated list on the 16th June 2016. This includes some revised assessments and new items committed to are, these are highlighted in yellow on the Appendix. Of note are:

3.2.1. Premier League works required for broadcast and additional requirements for 2016/17

3.2.2. An Emergency Medical Room (EMR) in the tunnel area. This was reported as rejected at the last meeting on the basis it was solely being promoted by WHU, and considered an upgrade they should pay for. Further review of the distance and complexity of corridor routes to the room currently designated for this purpose, and independent medical advice, has led the Director and LS185 to now recommend this room is provided through fit out of an existing space off the tunnel area.

3.2.3. Fire alarm upgrade to avoid all stadium doors opening when a certain point is reached on the fire alarm escalation levels. There are potentially significant implications for crowd safety as massive number of spectators could enter the ground in peak time if the system was set off. This is being argued with Balfour Beatty as a defect, but in order to assure the Safety Officer we have needed to instruct this change.

3.2.4. Temporary solution for Wi Fi. There is as a result of the delay in the installation of the permanent WI Fi solution due to Mahindra negotiations.

- 3.2.5. Additional works in preparation for the June 2016 ACDC concert, including c.£15,000 additional cleaning. We will look to recover some of these costs
 - 3.2.6. Provision of Fencebox (rollaway fence system consists of a lockable metal box housing the vertically rolled up rollaway fence, supplied in up to 50 running meters and a height of 2 m). This is required for 60,000 capacity for football. We will look to recover costs from West Ham FC.
 - 3.2.7. Flexible upper tier board system to allow changes between events and for clean stadium
 - 3.2.8. Savings on the replacement to removable bollard systems
- 3.3. Of the total of £500,000 available, £381,324 has been committed. This leaves just under £119,000 available if needed.
- 3.4. Appendix 1 also shows that there is a potential for more requests, including Montfichet Road improvements costs, which are likely to come forward for approval and be vital to reducing stewarding and Westfield security costs.
- 3.5. The E20 Director is confident he will be able to remain within the delegation between now and the start of the events in July. This will require robustly:
- 3.5.1. Rejecting works that E20 are not responsible for;
 - 3.5.2. Seeking recompense from LLDC transformation budget for items the Director and E20 Capital Advisor believes should be provided within the transformation scope;
 - 3.5.3. Resisting pressure from WHU, English Premier League and other parties to expend funds on requirements that are not stipulated in the rules;
 - 3.5.4. Driving down the costs of items on the list.

4. TRACK PROTECTION

- 4.1. At the May 2016 meeting Members agreed purchase of 7,500m² of a coloured track protection system at a costs of up to £872,280 (excluding VAT). It was proposed that:
- LLDC contribute £300,000
 - LS185 contribute £100,000 or absorb costs of marketing the product to secure 10% discount
 - E20 contribute £500,000
- 4.2. LLDC transformation team have disputed the £300,000 level if funding requirement. As noted to the May board, the definition of what LLDC are required to provide is imprecise.
- 4.3. To move matters forward it is recommended that E20 caps its investment at £500,000, with LLDC paying £170,000. This gives a revised budget of £670,000 for LS185 to use to drive a deal with the supplier, and / or order less teraplas (c. 6,300 sqm compared to 7,500 sqm). Revised plans suggest this should actually be adequate to cover the core stadium areas needed
- 4.4. Other options are:
- 4.4.1. E20 caps its investment at £500,000, with an approach to LLDC to funds more than £200,000.

4.4.2. E20 provides £630,000, with LLDC paying £170k. This gives a revised budget of £800k for LS185 to use to drive a deal with the supplier, and / or order less teraplas (c 7,500 sqm should be deliverable)

4.4.3. Do not proceed

5. VOIDS

5.1. The £900,000 solution for the voids are funded by LBN, LLDC and WHU outside of E20 financial resources.

5.2. A verbal update will be given, and is expected to confirm that the colourways and logos have been agreed by the parties.

**Appendix 1 : Items Considered under E20
Director Delegation**

Description	Amount (£)	E20 Director Decision	E20 Director £500K delegation	Contingent Risk	Others	Comment
Montfitchet Rd access improvements	205,000	Pending	5,000	200,000	-	£5K Committed for feasibility works. Proven spend to save case, so likely to proceed. Cost reduced due to item below.
Access improvements (flattening) adjacent to Stratford Station	15,000	Agreed	15,000	-	-	LBN Highways work to assist egress from OS to Stratford Station. E20/LS185 (email 17/05/16)
Enhanced CCTV	163,371	Agreed	-	-	163,371	Transformation to fund + £65K contribution LS185
Power and data to enhanced CCTV	5,000	Agreed	-	-	5,000	Transformation to fund
Hawkeye Goal line technology	13,500	Agreed	13,500	-	-	Installation not part of transformation
Artificial grass	30,000	Agreed	30,000	-	-	Cover to Teraplas protection system (within pitch side LEDs)
Airwaves	393,000	Agreed	33,000	-	360,000	CR10 E/O Trans max £360K. Transformation budget meets £360,000
Players tunnel (under void)	8,000	Agreed	8,000	-	-	Agreed with LS185 paying for tunnel onto pitch. Director to seek to get included in void treatment but not assumed
Provision of medical buggy	6,000	Pending	-	6,000	-	Only if the buggy is able to have QEOP and LBN logos
Outside Broadcast (BT 2016/17 requirements)	5,178	Agreed	5,178	-	-	LS185 to obtain further quote for electrical works
Alterations to Flash interview rooms (EPL 2016/17 Requirement)	60,000	Agreed	25,000	-	35,000	EPL 2016/17 requirement to provide 5 No. soundproof rooms, WHU require 7 No inc. 2 No. additional broadcast lines
Power supplies under athletics track - growlights, broadcast - camera, interview positions, pitch	25,000	Rejected	-	-	25,000	Transformation to fund (EPL requirements/should be included in base build)

side LEDs						
Additional ducts under athletics track	30,000	Rejected	-	-	30,000	Transformation to fund - as above
Protection to warm up track to create additional space for June 2016 concert promoters. (Mace/BB offices etc unavailable)	1,875	Agreed	1,875	-	-	Needed for concert. Available for future events
Provision of additional head trauma medical room closer to tunnel	15,000	Agreed	15,000	-	-	Agreed due to distance and complexity of corridor routes
Alterations to TV studio (Sky Requirements)	50,000	Rejected	-	50,000		Contingent risk for 2017/18
Visiting club analyst (2016/17 EPL requirements)	10,000	Agreed	10,000	-	-	Alteration required by EPL rules
Replacement of the bridge F07 transformation fixed bollards with removable bollards.	70,943	Agreed	70,943	-	-	Needed for the marathon route to be usable for the stadium. Also needed for mass participation runs. Final amount to be challenged, as E20 Director believes BB should have installed as removable
South East Tunnel - maintaining 9m access route for June 2016 concert	6,800	Agreed	6,800	-	-	Needed for concert.
Additional requirements to Press box	15,000	Rejected	-	-	15,000	E20 compliant with EPL, WH to fund additional requirements
Power and data to mid tier LEDS	5,000	Agreed	5,000	-	-	
Marginal cost of flexible signs (WHU branding items)	30,000	Agreed	30,000	-	-	Sum to be finalised as s.43 implemented"
Change of use from banquet seating to additional bar	100,000	Pending	-	100,000	-	To extend draught and capacity for selling alcohol in the Boleyn bar
Protective covers to 28 no. dug out seats	2,000	Agreed	2,000	-	-	WH to procure when purchasing dug out seats?
Fire extinguisher and cases	2,443	Rejected	-	-	2,443	SR email 19/5/16 - Should be included in FFE
Concourse clean (June 2016 Concert)	15,000	Agreed	15,000	-	-	AS email 1/6/16 - should look to recover from Transformation

Fence box (temporary fencing solution)	30,000	Agreed	30,000	-	-	To enable increased stadium capacity of 60,000 , look to recover from WHUFC
Removing plastic seat covers (10,000 WH branded)	8,333	Pending	-	-	8,333	Look to WH to fund as branding
Static boards upper tier (200m x 1.35m)	30,028	Agreed	30,028	-	-	LS185 email 27/5/16
Blindside pitch static branding (102m x 0.9m)	14,003	Rejected	-	-	14,003	LS185 email 27/5/16. WH, LS185 to consider
Temporary solution for Wi Fi	<i>15,000</i>	Agreed	15,000	-	-	<i>Checking budget cost with LS185</i>
Additional irrigation pump	12,483	Pending	-	12,483	-	Request from LS185, under review
Fire Alarm upgrade	<i>15,000</i>	Pending	15,000	-	-	<i>Checking budget cost with LS185</i>
TOTAL	1,407,957		381,324	368,483	658,150	

Budget estimates in italics. (Further detailed requirement may affect cost)

Subject: Track Sale Project Update
Item: 7
Date: 23 June 2016
Report to: E20 Stadium LLP Board
Report of: Martin Gaunt, Business Manager, E20 Stadium LLP

1. SUMMARY

- 1.1. E20 has been progressing a project to turn sections of the former stadium track from the 2012 Games into commemorative items for sale to the public, in order to generate funds for E20. This paper provides a briefing to the Board on the project, ahead of the public launch planned in early July (in advance of the Diamond League and Rio Games).

2. RECOMMENDATIONS

- 2.1. The Board is invited to **NOTE** the project update.
3. The Board is asked to **NOTE** the list of gift recipients in appendix 3, and that distribution will be progressed ahead of the next Board meeting.

4. OVERALL ARRANGEMENTS AND OBJECTIVE

- 4.1. The original plan for the track as used during the 2012 Games was disposal as part of the transformation works. The majority of the track *has* been disposed in this way, but E20 salvaged approximately 1000m² (an area roughly equivalent to the 100m straight), plus the “premium” sections such as the start and finish lines. E20 invested £7000 to do this.
- 4.2. E20 then explored options for the track, and potential partners for the project. In April E20 appointed Your Tribute Ltd to deliver the track sale project on its behalf. Your Tribute have previously specialised in personalised stone projects at football grounds – including the West Ham fanstallation project at the Stadium. Your Tribute provide a full “end-to-end” service – from collection of the track, through to product development, manufacturing, sales, shipping and customer service. E20’s input is limited to strategic input and sign-off rights to key decisions, plus support on marketing and communications.
- 4.3. E20 has agreed a profit share arrangement with Your Tribute. After the set-up costs of firstly E20 **s.43** and then Your Tribute **s.43** are repaid, profits are shared 50%-**s.43** between the parties. The exception is for any individual product that generates a profit exceeding **s.43** (which is conceivable for the premium pieces described below), where E20 takes a **s.43** share.
- 4.4. The stated objective of the project is to maximise the financial return to the parties.

5. PRODUCTS

- 5.1. E20 and Your Tribute have agreed a product range as follows:
 - 5.1.1. A5 sized framed track - track shaped section in an acrylic frame, with certificate of authenticity. Retail price £60.
 - 5.1.2. "Track in a box" – track shaped section in a premium presentation box with images and certificate of authenticity. Retail price £99.
 - 5.1.3. "Track in a box" Personalised. As above with personalised message on plaque. Retail price £120.
 - 5.1.4. Large (c.A2-A3 size) framed track – limited edition track shaped section with white line markings in a premium acrylic frame, with certificate of authenticity. Retail price £399.
 - 5.1.5. Premium sections (start/finish line numbers, other lane markings, jumps take-off boards, "London 2012" giant lettering) available on request and with bespoke (or no) finishing as required. Price subject to negotiation – targeted in the thousands.
- 5.2. Images are included in Appendix 1, and a prototype "track in a box" will be brought to the Board meeting.
- 5.3. E20 has been very careful in its choice of branding and wording for the product and marketing, in order not to infringe IOC copyrights around Olympic references. Expert opinion has been sought (including LLDC Senior Brand Manager) and E20 has erred on the side of caution to minimise the risk of any future challenge.

6. SALES STRATEGY

- 6.1. The majority of sales will be via a dedicated website – www.london2012track.com (not yet live). Your Tribute have strong experience successfully managing similar sites for their other projects.
- 6.2. The premium sections (of which there are around 50 pieces, of varying quality and value) will be targeted at High Net Worth individuals and companies (particularly those with an association with the Games). An initial meeting has been held with Sotheby's auction house who are interested, though their next sports auction is not until November. E20 and Your Tribute have also engaged Greg Nugent, former Marketing Director of LOCOG, on a pro bono basis. He is keen to facilitate premium sales to his former Games contacts. E20 and Your Tribute continue to keep their options under review for these very special premium sections. Early sales are targeted to payback set-up costs and de-risk the overall project – this is balanced against holding out to fully assess demand and achieve the best possible prices. Any premium sales opportunities that E20 Board Members may be able to introduce are welcomed.

7. FINANCIAL PROJECTIONS

- 7.1. This project is a one-off, with very limited precedents upon which to judge sales and potential profits. E20 has forecast net income to E20 of £100k in its business plan.
- 7.2. Ignoring premium sales, which are very difficult to predict at this stage, the approximate breakdown of income from a standard product is as follows:

Forecast average retail price achieved, including VAT	s.43
Price excluding VAT	
Less variable production costs (manufacture, packaging)	
Indicative profit per product	
Less Your Tribute s.43 profit share (above s.43 total profit threshold)	
Net profit to E20 per product	

- 7.3. On the assumptions above, in order to payback E20's initial investment (which is prioritised), only 140 products will need to be sold: s.43. In order to achieve E20's business plan forecast, s.43 products will need to be sold: s.43
- 7.4. In fact, if there is sufficient demand, E20 has sufficient track material to fulfil 20,000+ orders. Demand remains the big unknown. Informal feedback has indicated strong interest, and the potential global market of athletics fans is huge, though demand will only be properly known once sales have launched.
- 7.5. Premium sales represent an opportunity above and beyond these projections, and in these instances an enhanced s.43 E20 profit share may apply. These items have the potential to quickly payback the setup costs, and move the project into significant profit.

8. TIMELINE, COMMUNICATIONS AND LAUNCH

- 8.1. The project is on a tight but achievable timeline to launch mass market (online) sales w/c 4 or 11 July (the premium sales process is already getting underway). The project timeline is included at appendix 2. The launch date is critical, in order to tap into the enhanced interest that the London Diamond League and then the Rio Olympic and Paralympic Games is likely to generate. As such, further major deliberations on product and strategy have been curtailed – Your Tribute is now in delivery mode.
- 8.2. E20 is grateful for the valuable input to the project provided by the LLDC Communications team, as part of its service into E20. Your Tribute are also on the verge of appointing a PR agency, Run Communications (who work very closely with UKA and athletes) to supplement LLDC's input and deliver the comms and PR launch. This is likely to include track gifts to high profile athletes and organisations, in order to generate media interest and build awareness amongst the general public. Further details, including an initial list of gift recipients, has previously been shared with the Board, and an updated list is included at appendix 3.
- 8.3. E20 and Your Tribute are coordinating closely with UKA, BOA and other interested parties, in order to ensure "no surprises" and collective buy-in.

9. ADDITIONAL MEMBER BENEFITS

- 9.1. In addition to the gifts set out in appendix 3, it is proposed that up to 25 items are made available to each of LLDC and Newham for purchase at cost. They can use them to distribute to organisations as and individuals they believe should receive

recognition, or who can use the product to further their causes (e.g. charities and community organisations).

9.2. In addition, LBN and LLDC staff could be offered products at a tbc discounted rate.

Appendix 1: Product images



Indicative “Track in a Box” design – finalised version to be brought to Board Meeting.



HRH was the grateful recipient of the first prototype product.



Early prototype of framed product. Modifications currently being made.

London 2012 Track Pieces



RUNNING TRACK - START LINE



START LINE - Lane 1
1160mm x 900mm



START LINE - Lane 2
1220mm x 1120mm



START LINE - Lane 3
1230mm x 1120mm



START LINE - Lane 4
1230mm x 1120mm



START LINE - Lane 5
1220mm x 1060mm



START LINE - Lane 6
1220mm x 1020mm



START LINE - Lane 7
1230mm x 1020mm



START LINE - Lane 8
1230mm x 1050mm



START LINE - Lane 9
1290mm x 1120mm

Images of some of the premium sections.

Appendix 2: Project Timeline

E20 - Stadium Track	JUN							JUL							AUG										
	8th	9th	10th	13th	14th	15th	16th	17th	20th	21st	22nd	23rd	24th	27th	28th	29th	30th	31st	4th	11th	18th	25th	1st	8th	
Finalise box layout and images																									
Present box and framed options as visuals																									
Sign off all products																									
Gold Seal Samples for photography																									
Meet Run Communications																									
Agree PR Campaign																									
Launch and execute PR campaign																									
Board meeting sample (s)																									
On going website build																									
Present prototype website																									
E20 website feedback on website																									
Amended website																									
Test 'live' orders via website																									
Website live target date																									
Develop partnerships, retail and other, e.g. Greg, Sotheby's																									
Sales																									
RIO Starts																									
Packaging and Branding																									
PR Plans																									
Website development																									
Other																									

Appendix 3: Gift Recipients

Following an interim note to the Board on 3 June, E20 now confirms that a small number of pieces of track are to be given to individuals and organisations for promotional and partner recognition purposes. The list has been adjusted to reflect feedback.

DISTRIBUTION TO INDIVIDUALS AND ORGANISATIONS FOR PROMOTIONAL PURPOSES

The list below drives coverage on a local, national, or international level. It has been developed in consultation with Your Tribute and the LLDC and Newham comms teams.

The straightforward criteria applied was that the recipient must present an opportunity to generate press/social media pick up, and therefore increase public awareness and drive increased public sales. E20 are also mindful to avoid any exclusions that may in itself generate negative coverage.

Newspapers Competition

- c.5 “track in a box” products to be given to Evening Standard for reader competition/prize draw

Team GB London 2012 Olympic Track & Field Gold Medallists

- s.40 [REDACTED] (“track in a box” product – see indicative image below)
- s.40 [REDACTED] (one of the long jump take off board products)
- s.40 [REDACTED] (“track in a box” product)

Team GB London 2012 Paralympic Track & Field Gold Medallists

- s.40 [REDACTED] (“track in a box” product)
- s.40 [REDACTED] (“track in a box” product)
- s.40 [REDACTED] (“track in a box” product)
- s.40 [REDACTED] (“track in a box” product)
- s.40 [REDACTED] (“track in a box” product)
- s.40 [REDACTED] (“track in a box” product)
- s.40 [REDACTED] (“track in a box” product)

London 2012 Olympics 100m Gold Medallist and a regular at London Diamond League

- s.40 [REDACTED] (“track in a box” product)

E20 will retain flexibility to offer free products to others if opportunities arise to generate positive coverage (e.g. s.40 [REDACTED], s.40 [REDACTED] at Diamond League etc). Such an opportunity could be the IAAF visit to the Stadium and QEOP on the 7th July 2016.

PARTNER RECOGNITION

At the same time, it is intended to provide a small group of partners with a product to:

- mark their involvement in the Stadium’s history;
- facilitate promotion of the product on their website and to databases.

The initially proposed partners were:

Public Bodies

- Prime Minister (framed product)

- Mayor of London's Office / GLA (framed product)
- Mayor of Newham (framed product)
- LLDC (framed product)

Athletics bodies

- BOA (framed product)
- BPA (framed product)
- UKA (framed product)
- IOC (framed product)
- IAAF (framed product)

Stadium Partners

- London Marathon Charitable Trust Community Track (framed product)
- LS185 / Stadium (framed product)

Members expressed that they were generally content with these groups, as long as the gift was allied to support for the project and publicity to help drive commercial sales.

A number of schools, museum and charities were included in the original list. These have been put on hold following feedback from Members that they were not convinced they should be treated differently to those that have engaged more widely in the stadium and 2012 Games legacy.

It is now proposed that schools, museums and charities are included in the lists prepared by LLDC and LBN and bought at cost.

- Schools on QEOP: Chobham Academy, Mossbourne Riverside Academy, DRET Academy
- Museum: Museum of London - to add to its 2012 collection
- Charity (for auction): Newham-nominated charity ("track in a box" product) and Foundation for Future London ("track in a box" product already gifted to Princess Anne)

Report originator(s): Martin Gaunt
Email: martingaunt@e20stadium.com

Subject: Naming Rights Bank Account
Item: AOB
Date: 23 June 2016
Report to: E20 Stadium LLP Board
Report of: Martin Gaunt, Business Manager, E20 Stadium LLP

1. SUMMARY

- 1.1. This paper requests approval to set up a separate E20 bank account for naming rights transactions, as required under the Concession Agreement with West Ham.

2. RECOMMENDATIONS

- 2.1. The Board is invited to **AGREE** that E20 sets up a bank account for naming rights transactions, with authorised signatories as set out in paragraph 3.3.

3. NAMING RIGHTS BANK ACCOUNT

- 3.1. E20 anticipates signing the naming rights contract with Mahindra shortly, triggering the first naming rights payment to E20. Gross naming rights income is shared with West Ham (s.43 [REDACTED]) – as such, the Concession Agreement requires E20 to establish a separate bank account for naming rights, so that naming rights transactions are transparent to West Ham. In actual fact, the expected income from Mahindra s.43 [REDACTED] Nevertheless, the naming rights account is still required s.43 [REDACTED]
- 3.2. E20 – in collaboration with LLDC which provides its finance transaction service – intends to now set up this new bank account, in anticipation of the naming rights deal. This will enable E20 to be on the front foot and write to West Ham immediately after the naming rights deal is agreed, setting out how the account will be operated (in line with the Concession Agreement).
- 3.3. The authorised signatories of the naming rights account are proposed as follows:
 - 3.3.1. s.40 [REDACTED] (LLDC Senior Finance Business Partner);
 - 3.3.2. Richard Irish (LLDC Financial Controller);
 - 3.3.3. Geraldine Murphy (LLDC Executive Director of Finance);
 - 3.3.4. NLI representative(s) – persons tbc (further Board approval to be sought as necessary).

4. OTHER BANK ACCOUNT MATTERS

- 4.1. Please note that the Concession Agreement also requires E20 to operate a separate bank account for catering income from West Ham games. E20 is reviewing this requirement in light of the additional complication of catering income coming via LS185 as part of the net commercial revenues paid to E20. If a catering bank account is required by E20, a further approval will be sought from the Board in due course.
- 4.2. E20 may also seek to establish a separate bank account for its capital payments (i.e. for projects funded from the £14.286m discretionary funding), as opposed to business plan transactions. Again, if this is advisable following further review, Board approval will be sought.
- 4.3. E20 is reviewing with its members the signatories to its bank accounts, with a view to adding NLI representative(s) as proposed for the naming rights account. Any changes will be brought back to the E20 Board for approval.

Report originator(s): Martin Gaunt
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