



E20 Stadium LLP – Board Meeting 17.01.17

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.

Meeting: E20 Stadium LLP
Date: 17.01.17
Time: 4:30pm – 5pm
Meeting Venue: LLDC Office / Conference Call

Member Representatives Expected: Nicky Dunn (Chair), David Gregson (LLDC), Keith Edelman (LLDC), Lester Hudson (NLI), Katharine Deas (NLI)

Ex-Officio Members: David Goldstone (LLDC)

Also Expected: Alan Skewis, Martin Gaunt, s.40 (All E20); s.40 (NLI); Gerry Murphy (LLDC), Colin Naish (LLDC)

Apologies: Kim Bromley-Derry (NLI)

Agenda:

1. Relocatable Seating contractor appointment
2. East Stand Location in 2017
3. Update on West Ham United Issues
4. Mayors Review (Verbal Update)
5. AOB

Dial-in numbers

United Kingdom Freefone: s.31

United Kingdom Primary: s.31

Chairperson passcode: s.31 then #

Participant passcode: s.31 then #

Dear Board Members

Please find attached papers for the Board call at 4.30pm on the 17th January 2017.

Thank you for agreeing to the call. It will help progress the relocatable seating tender decision, 2017 East Stand arrangements , as well as facilitate discussion of the best way to structure discussions with West Ham United this month.

The seating papers recommend the appointment of a seating contractor, and to consider confirmation of movement of the East stand in 2017.

The papers do not deal with the respective contribution of E20 Members. This is an issue the Members are separately discussing. However, it is important to stress that E20 are proceeding on the basis that the Members will meet the costs.

In 2017, the relocatable seating could reach £10m once all costs are taken into account.

The working assumption from 2018 of moving the 3 stands (north, West and South) needed for Diamond League athletics, MLB and/or Cricket costs is in excess of £5m per annum.

Over the 5 year period the total is therefore c.£30m.

Regardless who is paying the costs this represents an unsustainable position in the long term. No combination of commercial events between mid-May and July will justify the costs associated with moving the seats.

The papers do not deal with more radical seating options. Nor do they assume we do not move any of the seats some or all years. These must remain real options.

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However, in 2017 the only alternative is not to appoint a seating contractor and not host the concerts and London 2017 events this year. This is not recommended based on contractual commitments, reputational damage and previous board direction.

We are happy to answer any questions at, or before, the call on Tuesday.

ALAN

Subject: Stadium Relocatable Seating Contract Award Recommendation
Meeting date: 17 January 2017
Report to: E20 Board Members
Report of: Colin Naish – Executive Director of Construction

This report will be considered in private

Subject to the decision of the Committee under Item 12 on the agenda for this meeting, this report is exempt and is therefore not for publication to the public or press by virtue of paragraph 3 of Schedule 12A of the Local Government Act 1972 in that it contains information relating to the financial or business affairs of any particular person (including the MDC holding that information).

1. SUMMARY

- 1.1. This paper details the outcome of the procurement process for E20 to appoint a Contractor to operate and maintain the Stadium Relocatable Seating over a 5 year period.
- 1.2. The process has been undertaken in accordance with the Procurement Strategy approved at E20 Board on 23 June 2016.
- 1.3. The proposed Contractor to be appointed scored highest in both technical and commercial areas, fulfilling E20's criteria for the Most Economically Advantageous Tender.

2. RECOMMENDATION

- 2.1. **It is recommended that PHD Modular Access Ltd (PHD) be appointed by E20 as the Stadium Relocatable Seating contractor to operate and maintain the seating for a 5 year period.**

3. SUMMARY OF SCORING

- 3.1. The scoring criteria was weighted 70% technical 30% commercial.
- 3.2. Two tenderers provided submissions before the deadline for receipt of tenders. They were:
 - ES Global Solutions Ltd / Arena Event Services Group Ltd (submitting as a Joint Venture), and;
 - PHD.
- 3.3. A summary of the scores is set out below:

Weighted Scores	ESG / Arena	PHD
Technical	36.00%	47.15%
Commercial	27.92%	30.00%
Overall	63.92%	77.15%
Ranking	2	1

- 3.4 Following various clarifications with both tenderers, both submissions were compliant in terms of programme requirements and both were in full compliance with the proposed contract terms and conditions.

4. EVALUATION METHODOLOGY

- 4.1. The scoring was undertaken in accordance with the process set out in the Instructions for Tenderers which was issued with the Invitation to Tender (ITT), and with the process detailed in the Contract Award Recommendation Report included at Appendix 1.
- 4.2. Each section of the technical evaluation was undertaken by two subject matter experts, whose individual independent scores and rationale were logged before a consensus score and rationale was provided for each specific section.
- 4.3. The commercial evaluation comprised the following elements:
- Base price for operation and maintenance for a 5 year period;
 - Optional prices for individual bespoke stand moves;
 - Adjustment for schedule of rates, and;
 - Adjustment for Direct and Subcontract Fee percentage.

These prices were fed into the commercial scoring formula, which provided the overall commercial scores.

5. ANTICIPATED SPEND

- 5.1. The base scope set out in the ITT was for three transitions each year for five years as follows:

- Pitch to Concert Mode

Transition back of the North, South and West stands with the bridge and walkway assemblies and void treatment removed. On the East Stand, removal of front seven rows with a balustrade fixed to row 8, block 130 is removed and block 142 is converted to accommodate a 6.2m super-gangway. On the North stand, blocks 144 and 156 are converted to accommodate 3.7m super-gangways.

Refer to Figure 1 in Appendix 2 for details of the seating configuration for Concert Operational Mode (East stand remaining forward in Pitch Mode).

The transition time for this move has been set at 9 days.

- Concert to Athletics Mode

Super-gangways are removed from the North stand, with corresponding seats reinstalled. Blocks 130 and 142 are reinstalled to the East stand, with the front seven rows removed and a balustrade fixed to row 8.

The transition time for this move has been set at 6 days.

- Athletics to Pitch Mode

North, South and West stands are transitioned into their forward position, with bridge and walkway assemblies installed and void treatment reinstated. The row 8 balustrade is removed and the front seven rows of East stand are reinstalled.

The transition time for this move has been set at 12 days.

5.2 The base scope for the seating transitions has been priced on a target cost basis, whereby a 50/50 pain / gain mechanism is utilised for any cost over or underrun against the target cost for each transition.

5.3 The base scope also included for a fixed maintenance cost over a five year period.

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5.6 These costs are based on utilisation of the Layher system for the North and South bridges and walkways, which will incur an additional cost to hire / buy should this system continue to be used. The additional cost to utilise the SAPA in lieu of the Layher system was quoted by PHD at £192,630 per transition, resulting in an increase of £385,260 to the annual transition target.

5.7 Following the issue of the ITT, the above base scope was amended to include for a full East stand transition to be undertaken as part of the Concert to Athletics Transition, instead of maintaining the East stand in its current forward position, as set out above.

5.8 The commercial submission included a requirement to price for individual stand moves to cater for the possibility that the base scope may change and bespoke stand moves may be required throughout the five year contract period.

5.9 On this basis, the anticipated spend is therefore (with additional items in red):

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5.10 S.43

5.11 These forecast costs are again based on utilisation of the Layher system.

5.12 Whereas the anticipated forecast PHD base cost and PTE are aligned, the forecast PHD cost for the revised scope of work is substantially less than the equivalent PTE. This is due to lower than anticipated costs (received from both tenderers) for the full transition of the East stand.

5.13 The above forecast costs do not include:

- Disruption due to Corporate Relay being undertaken during the transition of all four stands from Concert to Athletics mode (£100k budget estimate for standing time);
- Additional costs due to reduced time to fully transition the East stand in 2017 (The base time period priced for is 15 days).
 - Transition from Concert to Athletics currently programmed for 13 days (on the assumption that the GNLR is rerouted and standing time for Corporate Relay is minimal) so acceleration of 2 days is required before Diamond League on 9th July 2017 if the East Stand is required to be in use (if achievable, minimal cost impact);
 - Transition from Athletics (post WAC2017) to Pitch (West Ham's first game) is currently programmed for 12 days so there is a need to replicate the 2015 Barbarians arrangement of East Stand without the mid-tier for the first West Ham game (£300k budget estimate for demobilisation and remobilisation either side of West Ham's first game and for out of sequence working);
- Any additional internal E20 and/or LS185 costs required to manage and administer the contract, including any event specific change in scope;
- Costs incurred via LS185 to meet E20's obligations under the contract (provision of IT connections, utilities, cleaning, office space, track protection, off-site storage etc);
- Aerofilm future annual maintenance costs (£50k per year);
- Purchase cost of the Layher north and south bridges and walkway structure (Budget estimate £500k);
- Capital cost of any incremental improvements agreed (subject to E20 approval of business case and funding);
- Transition Completion Bonus Payments payable to the contractor by E20 (for completion of transitions on time would amount to an additional £200,000 per year, with a maximum exposure of £340,000 should 7 day transitions be achieved in the first year), and;
- Cost risk / opportunity of actual cost exceeding or coming under the target cost (50% of actual cost above target price).

5.14 These issues will be addressed further in the paper for the E20 Board.

6. APPENDICES

- Appendix 1 – Contract Award Recommendation Report
- Appendix 2 – Concert Operational Mode Seating Configuration

List of Background Papers:

None

Report originator(s):
Telephone:
Email:

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colinnaish@londonlegacy.co.uk

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Contract Award Recommendation Report

PROCUREMENT DEPARTMENT

Contract: **Stadium Relocatable Seating**

OJEU Contract Notice: **2016/S 209-377733**

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Contents

1. Executive Summary	3
1.1. Overall Evaluation	3
1.2. Contractual Qualifications	4
1.3. Technical Evaluation	4
1.4. Commercial Evaluation	5
1.5. Recommendation.....	5
2. Background Information.....	6
3. Tender Receipt and Opening	8
3.1 Completeness of the submissions	8
3.2 Contractual Qualifications	8
3.3 Variant Tender	9
3.4 Programme Deadlines.....	9
4. Evaluation Methodology	9
5. Technical Scores	9
5.1 Key Findings from Technical Submission	12
5.1.1 Pass / Fail Criteria.....	12
5.1.2 Weighted Criteria.....	12
6. Commercial Scores	13
6.1 Commercial Clarifications	13
6.2 Key Findings from Commercial Submission	16
7. Summary of Evaluation and Conclusion	18
8. List of Appendices.....	19



1. Executive Summary

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Appendix A: Tender Opening Forms

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Appendix B: Tender Opening and Evaluation Plan

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Approvals

Name	Organisation	Role	Signature	Date
	LLDC	Procurement Manager	s.40	1/12/16
	LLDC	Project Officer	SEE BELOW.	
	LLDC	Head of Procurement	s.40	1/12/16
	LLDC	Senior Responsible Officer	s.40	1/12/16.



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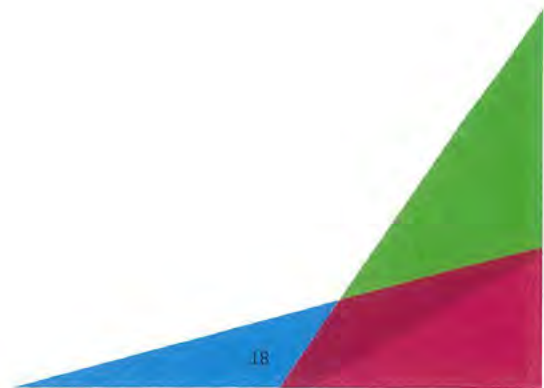
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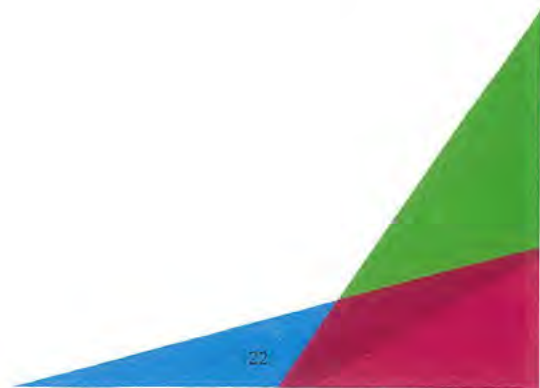


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Appendix C: Technical Evaluation: Full Scoring and Rationale

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Appendix D: Commercial Clarifications

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Subject: East Stand in 2017

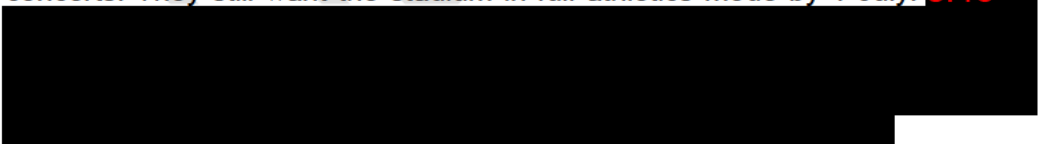
Meeting date: 17 January 2017

Agenda Item: 2

Report to: E20 Stadium LLP Board

Report of: Alan Skewis

1. CURRENT POSITION

- 1.1. This report requests confirmation of the location on the East Stand, based on updated information obtained since the November 2016 E20 Board meeting. It also sets out the estimated range of cost for 2017 seat moves, including those paid on top of to the seating contractor.
- 1.2. In November 2016 the E20 Board agreed that they were minded that the East Stand should be moved back for the London 2017 events to minimise the financial penalties that might be incurred by E20 and meet expectations of stakeholders.
- 1.3. This was dependent on securing a number of points from London 2017 / UK Athletics included in the paper. In summary:
 - a) London 2017 has not accepted that the East Stand should be moved after the concerts. They still want the stadium in full athletics mode by 1 July. s.43

 - b) London 2017 and the GLA are discussing a payment towards the costs of the seat move, including arrangements to do so from any surplus generated by the London 2017 event.
 - c) UK Athletics have confirmed that they would be content to hold the Diamond League on July 9th 2017 with the East Stand lower tier closed (although this is negated by London 2017 insisting on full athletics mode by 1 July). UKA have not agreed to E20's proposal to keep the East Stand in pitch mode from 2018 onwards.
- 1.4. A final E20 Board decision was also delayed to allow the results of the seating tender process to run. There was a possibility that the tenderers could offer a "game changing" solution that addressed the issues of moving the East stand back in time for the 25th August football match. Unfortunately this has not been the case. While not completely ruled out, the tender process has hardened the likelihood that the mid tier East Stand will not be in place in time for West Ham's first match.

¹ West Ham will be scheduled a home match on this weekend. The actual date will not be known until Broadcasting and Police requirements are known. The match could take place any day between the evening of Fri 24th and the evening of Mon 27th, although it is most likely to be Sat 25th.

1.5.

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- 1.6. This paper sets out a proposed plan for 2017 (as at annex 1), based on the outcome of the tender process, and the Board's previous steer that the East Stand should be moved back for the London 2017 events. However, significant uncertainty still remains, and as of today E20 does not have a robust proposal, supported by stakeholders, that it can be confident of delivering. The proposed plan is extremely tight to deliver, in particular the athletics to pitch transition in time for West Ham's first match. The plan will also require very significant cooperation from all parties – beyond what has currently been secured. This includes event bump in/out times, which are still uncertain (as is whether they can be progressed in parallel to the seat moves). With the seat moves given priority, other event preparations (e.g. overlay, stadium dressing, readiness testing) may suffer. Ignoring legal challenge, the most risk averse approach to 2017, from a cost and logistics perspective would still be to not move the East Stand. Even without moving the East Stand (i.e. just moving the North, South and West Stands), significant challenges and costs remain and are unavoidable.
- 1.7. Once the contractor has been appointed, and E20 has direction from this Board meeting, E20 proposes to hold a workshop with all interested parties and event owners (E20, LS185, contractor, UKA, London 2017, West Ham, LBN) to work through the detail of the proposed plan. Only then will E20 know if it has a robust proposal, supported by stakeholders, that it can be confident of delivering. The recommendations below assume that E20 can achieve that aim. If it transpires that it cannot, E20 will revert back to the Board with further advice.

2. RECOMMENDATIONS

2.1. The Board are asked to:

- a) **CONFIRM** that they will move the East Stand into its "back" position for the IPC and IAAF World Championships in 2017.
- b) **NOTE** that in 2017 the total costs for movement of the stands are currently estimated in the range of **£8m - £10m**, including:
 - 2.1.b.a. Payment to the seating contractor of £8m, including approximately £2.4m for the move of the East Stand
 - 2.1.b.b. £200,000 contracted bonuses for the seating contractor if they deliver within the transition times
 - 2.1.b.c. Contractor overspend allowance of £400,000
 - 2.1.b.d. One off purchase of the Layher system for the North and South stand for an estimated £500,000
 - 2.1.b.e. Allowance of up to £400,000 for project management, contract administration, compound rental, maintenance of the seating transition. This is subject to LS185 submitting a proposal to manage the contract in line with E20's estimate.
 - 2.1.b.f. **s.43**

2.1.b.g. £350,000 contingency in light of considerable uncertainty and risk at this stage. Until the workshop has been held as proposed above, it is unclear whether this contingency is at an appropriate level.

- c) **CONFIRM** that the East stand will be moved after the Robbie Williams concert bump out (effectively from the 25th June 2017, and that there will be no guarantee (or acceleration to achieve) the East Stand lower seats being available for the Diamond League on the 9 July 2017. Note that this programme has not been accepted by London 2017.
- d) **AGREE** that future Athletics Window events will adopt the 2016 configuration with the East Stand forward, unless there is a strong financial case for moving the East Stand back. This has not been accepted by UKA. The Board are asked to note the possible risk of future legal action by UKA to hold E20 to delivering the UKA Access Agreement.
- e) **AGREE** that E20 should work with London 2017 on the detail of each of the areas they have agreed in principle, noting that the position will remain challenging.

f) **s.43** [Redacted]

3. UPDATE ON LEGAL POSITION WITH UK ATHLETICS AND LONDON 2017

3.1. UKA have stated that they expect the East Stand to be moved every year for their events.

3.2. This report does not repeat the legal advice provided to the Board previously. In **s.42** [Redacted]

3.3. **s.43** [Redacted]

4. ABILITY TO DELIVER FULLY COMPLIANT FOOTBALL GROUND BY 25 AUGUST

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

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

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

4.4. **s.43**

4.5. **s.43**

5. **UPDATE ON LEGAL POSITION WITH WEST HAM UNITED**

5.1. **s.43**

5.2. **s.43**

5.3. **s.43**

5.4. **s.43**

Report originator(s): Alan Skewis

Email: alanskewis@e20stadium.com

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Subject: Overview of Relationship Issues with West Ham United

Meeting date: 17.1.17

Agenda Item: 3

Report to: E20 Stadium LLP Board

Report of: Alan Skewis, Director of E20 Stadium LLP

1. SUMMARY

- 1.1. This report sets out the background to a number of issues that remain unresolved with West Ham United. It also includes information on the challenging nature of the WHU relationship, and their similarly problematic relationship with LS185.
- 1.2. The report is provided prior to the 31 January 2017 Board meeting, where West Ham United are scheduled to attend for a half hour slot to discuss issues with the Board. The E20 Chair would like to discuss the format and content of that session.

2. RECOMMENDATIONS

- 2.1. The Board are asked to:
 - 2.1.1. **CONFIRM** their view on the desirability, and format for, a meeting with WHU on the 31st January 2017
 - 2.1.2. **s.43** [REDACTED]
 - 2.1.3. **NOTE** that it is proposed that the WiFi contract proceeds with Vodafone as a sub-contractor to Axians, ahead of signing a naming rights deal with Vodafone.

3. BACKGROUND

- 3.1. The WHU use of the stadium is governed by their Concession Agreement with E20. This document has proved difficult to implement in practice, with lots of areas of dispute and different interpretation.
- 3.2. **s.43** [REDACTED]
- 3.3. **s.43** [REDACTED]
- 3.4. E20 and LS185 have sought to work in partnership with the club, **s.43** [REDACTED]

- 3.5. The likely outcome of meetings with WHU this month will be that they do not adjust their style or approach. That being the case we will enter into expert determination on a number of matters to ensure we have clarity on commercial matters going forward.

4. OUTSTANDING ISSUES

4.1.

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- 4.2. In addition to these 5 issues E20 has to conclude the Event / Policing Costs, and business rates and utilities bills that WHU pay for their areas of the stadium.

- 4.3. The sections below summarise the issues and proposed approach with WHU at upcoming meetings. The attached table provides an overview of the potential outcome of expert determination on the issues.

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6. DATE THE STADIUM WILL BE CONVERTED INTO FOOTBALL MODE FOR THE 2017 SEASON

- 6.1. This is dealt with in separate papers.

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7. **LS185**

7.1. The Vice Chair of West Ham United has repeatedly expressed in writing that she feels LS185 are not a competent operator of the stadium. The reasons stated include:

- Problems at the start of the season with crowd management;
- Lack of contingency planning;
- Lack of confidence in the Head of Safety and Security, now on the way to being addressed as the employee in question has resigned and is leaving in March 2017;
- Lack of leadership by the CEO.

7.2. s.43

Others see improvement in the performance as the stadium has settled into its life as a football venue. Indeed others have cited the lack of issues at recent games as evidence of the improvement in LS185 performance and a reason for increasing capacity. The lack of issues / improvement is consistent with the view of the SAG and the Police, who would be likely to support an increased capacity to 60,000 in the coming weeks.

7.3. It would be speculative to assess how much the views are driven by genuine concerns, protecting the clubs right to sue for matters such as a lack of movement on additional capacity and / or an agenda of WHU taking control of the stadium.

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8. WIFI INSTALLATION

- 8.1. We have no contractual obligation to provide Wi-Fi in the stadium. The strength of our case is underlined by the fact that WHU have not pursued this with us legally.
- 8.2. However, we have agreed a Wi-Fi programme with LS185 that means Wi-Fi will be fully installed for next season, with some improvements made as the programme is deployed between now and May 2017.
- 8.3. Although unrelated to WHU obligations, E20 staff recommend LS185 are cleared to proceed with the WiFi order.
- 8.4. Members discussed the option of holding the Wi-Fi back until the deal with Vodafone is concluded. While we lose some leverage with Vodafone in negotiations, this is offset by the need to progress Wi-Fi in the stadium; the advanced stage we have reached with Vodafone; the level of commitment it shows towards Vodafone to working with them; the fact that unless they sign the naming rights deal they cannot showcase the stadium as their connected venue; the limited value for Vodafone (they are a sub-contractor so gain about £300,000 business from the £2m Wi-Fi contract).

9. INCREASING THE CAPACITY OF THE STADIUM TO 66,000

- 9.1. The issues relating to increased capacity will be covered in more detail in other reports to the Board on the 31st January 2017. In summary:
 - 9.1.1. The concession agreement gives WHU the right to a minimum of 53,500 seats
 - 9.1.2. We currently have a licence and are operating at 57,000 on a without prejudice basis
 - 9.1.3. WHU want to secure a 60,000 capacity now. s.43
 - 9.1.4. WHU want to increase above 60,000 by next season. s.43
 - 9.1.5. s.43
- 9.2. It is important E20 re-iterate that there are 2 issues that must both be resolved before a capacity increase can be approved:
 - 9.2.1. s.43
 - 9.2.2. s.43

10. EVENT / POLICING COSTS

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11. BUSINESS RATES AND UTILITIES BILLS

- 11.1. Although these are significant unresolved issues between E20 and West Ham, it is not recommended for discussion at the Board. The Concession Agreement underleases require West Ham to pay the business rates and utilities bills for their lease areas (club shop, office space, storage area, Boardroom, Player's lounge). E20 has secured agreement from West Ham that it will pay its contribution to rates from July 2016. E20 and West Ham are working through a process to determine a fair contribution to these rates. E20 can then recoup West Ham's owed contribution. Whilst this may require escalation in due course, it would be premature to raise yet.
- 11.2. Similarly, it is contractually clear that West Ham must pay the utilities bills for their lease areas, and E20 has notified West Ham of this. However, the metering system does not easily facilitate separate bills, so and LS185 are currently working through a proposed contribution to put to West Ham for payment.

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CC

Meeting: E20 Stadium LLP
Date: 31.01.17
Time: 10:00 – 11:30
Meeting Venue: LLDC Offices – Marketing Suite

Member Representatives Expected: Nicky Dunn (Chair), Keith Edelman (LLDC), Lester Hudson (NLI), Katharine Deas (NLI)

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

Also Expected: Alan Skewis, Martin Gaunt, s.40 (All E20); s.40 (NLI); Gerry Murphy (LLDC)

Apologies: David Gregson (LLDC)

Agenda:

1. Minutes of Meeting on 30 November 2016 and 17 January 2017
2. Director Update
3. End of Q3 2016-17 Financial Forecasts
4. Stadium Defects and Asset Surveys
5. Seating contractor and responsibility for Seat Moves Update
6. LS185 Performance
7. Cricket and Major League Baseball Update
8. Naming Rights
9. Stadium Branding s.43
10. West Ham Briefing Paper
11. AOB

Note: Board to be followed by meeting with West Ham United at 11.30am. Attendance and agenda to be confirmed

Dial-in numbers

United Kingdom Freefone: s.31

United Kingdom Primary: s.31

Chairperson passcode: s.31 then #

Participant passcode: s.31 then #

Subject: E20 Director Update

Meeting date: 31.1.17

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 from the Director and E20 team on various work streams. It does not replicate information contained in other papers on the agenda.

2. RECOMMENDATIONS

- 2.1. The Board is invited to:
- 2.1.1. **NOTE** the report

3. DIRECTOR OVERVIEW

- 3.1. Since the last meeting on the 30th November 2016:
- 3.1.1. Six football games have been held at the stadium without incident
- 3.1.2. Guns and Roses have announced 2 nights at the stadium, and sold over **s.43** tickets across the 2 nights
- 3.1.3. The secondary school continues to progress well on site, with all lease and related documents signed
- 3.1.4. A session with the GLA Police Committee was managed positively, as was a visit to the Crystal Palace game by the Chair and a Committee member
- 3.1.5. Progress has been made on Vodafone as a naming rights partner
- 3.1.6. A workshop has been held with TfL regarding the short, medium and long term changes to Stratford station. The aim of the session was to identify how the station needs to develop to reflect future passenger numbers and patterns. The stadium events are an integral part of any solutions, and should generate more efficient, cheaper means of managing spectator flows
- 3.2. The period has also been notable for a continued set of issues:
- 3.2.1. Identification of defects and system issues that impact on stadium operation. LS815 have asked for a variation to the contract responsibilities to deal with the period between July 2016 and c.April 2017
- 3.2.2. The seating tender process has completed, in line with the long term unsustainable figures presented to the Board in November 2016.
- 3.2.3. Ongoing issues with West Ham United
- 3.2.4. **s.43** have informed LS185 they are not proceeding with plans for a 2018 Festival in the London Stadium
- 3.3. The risk register has been updated, with changes shown below in bold:

- 3.3.1. Risks arising from handover of Stadium (Red)
- 3.3.2. Relocatable seating (Red)
- 3.3.3. Unsustainable event day costs (Red)
- 3.3.4. Financial position required further Member contributions (Red, was Amber)
- 3.3.5. School Construction (Amber)
- 3.3.6. Logistical Management during May-September 2017 (new, Amber)
- 3.3.7. Ls185 Performance and Disputed Costs (Red)
- 3.3.8. WHU relationship (Amber)
- 3.3.9. Increasing Stadium Capacity (Amber)
- 3.3.10. Naming rights (Amber, was Red)
- 3.3.11. GLA review (Amber)
- 3.3.12. Digital Screen / s.43 (Amber, was Green)

3.4. A summary of these risks is set out below.

4. RISKS ARISING FROM STADIUM DEFECTS AND ASSET SURVEYS (RED)

- 4.1. A separate paper deals with the current position. The potential financial liability, variation to LS185 contract and the likely outcome of asset surveys means this item is allocated a red risk rating.

5. RELOCATABLE SEATING (RED)

- 5.1. A separate paper deals with the various issues relating to the seats following decisions made on the 17th January 2017.

6. UNSUSTAINABLE EVENT DAY COSTS (RED)

- 6.1. The financial paper addresses the current unsustainable event day costs, And measures to address these.
- 6.2. The central issue remains that the WHU usage fee is not high enough to meet the match day costs.

7. E20 FINANCIAL POSITION (RED)

- 7.1. The finance paper on the agenda shows a worsening position that is of major concern to the stadium's future use. s.43

- 7.2. Members have agreed working capital contributions which ensure E20 are a going concern.

8. BOBBY MOORE ACADEMY SCHOOL CONSTRUCTION (AMBER)

- 8.1. The school has started on site under an early access agreement, and is making good progress. The lease has being signed alongside section 106 and other related documents.

9. LOGISTICAL MANAGEMENT DURING MAY-SEPTEMBER 2017 (NEW, AMBER)

- 9.1. The need for an intense period of logistical management is covered in the seating paper.

10. LS185 PERFORMANCE (RED)

10.1. A separate paper deals with LS185 performance.

11. WEST HAM UNITED RELATIONSHIP (AMBER)

11.1. The relationship with WHU remains challenging, with the club's attitude and approach to partnership having an impact on their relations with all parties.

12. STADIUM CAPACITY (AMBER)

12.1. The lack of crowd trouble and issues at recent matches has led to the issue of increasing the capacity to 60,000 to be back on the agenda.

12.2. The dual issues of a commercial settlement with WHU, and the licensing authority granting an increased capacity licence are covered in another paper on the agenda.

13. NAMING RIGHTS (AMBER)

13.1. A separate paper deals with positive progress on naming rights.

14. GLA REVIEW (AMBER)

14.1. Progress on the 3 strands is as follows:

1.1.1. "How we got here" review – The terms of reference have been agreed for this work by the GLA

1.1.2. 2017 Seats location – This has been completed through the E20 decision to ,move the seats back for the London 2017 events

1.1.3. Radical Seating solutions – Newham have recently agreed to commission this work on behalf of the GLA and Newham.

15. DIGITAL SCREEN / s.43 [REDACTED] (AMBER)

15.1. s.43 [REDACTED]

Subject: End of Q3 Financial Update
Meeting date: 31 January 2017
Agenda Item: 3
Report to: E20 Stadium LLP Board
Report of: Martin Gaunt, Business Manager, E20 Stadium LLP

1. SUMMARY

- 1.1. This paper, and the annexes attached, provide a comprehensive update on E20's financial position and projections as at the end of Q3 2016-17 (31 December 2017). It provides a lot of the detail that will underpin the business plan presented to the next Board. In summary it presents:
 - 1.1.1. Updated forecasts against the business plan for the 10 year period from 2016-17 to 2025-26, with a commentary on latest movements. This shows a 2016-17 deficit of £11.2m, and a projected deficit of £5.5m in 2017-18, that could rise to £19.7m if major risks are realised.
 - 1.1.2. An assessment of all foreseeable outstanding uncertainty and risk (in response to a specific request from members). Whilst unlikely, the potential worst case scenario shows a possible deficit for E20 of c.£25m per annum in steady state.
 - 1.1.3. An overview of commitments to date, and future potential investments, from E20's £14.286m provision for discretionary stadium works. The fund is almost fully committed, with a number of potential further draws on the fund likely.

2. RECOMMENDATIONS

- 2.1. The Board is invited to **NOTE** the financial projections and accompanying analysis. It is recognised that the figures presented are unsustainable.

3. LATEST FORECAST AGAINST BUSINESS PLAN

- 3.1. The E20 Board agreed a ten year business plan for E20 on 30 March 2016. E20 provides quarterly updates on its forecast position against the business plan. An updated forecast, for 2016-17, 2017-18 and beyond has been prepared as at 31 December 2016 (i.e. end of Q3).
- 3.2. As presented previously, E20 is reporting effectively two different "bottom lines" – one under a scenario where known major risks are not realised, and a worse position where major risks (notably E20 accepting liability for seat moves) are realised in full. This is shown in detail in Annex 1. The latest position is summarised below, and shows

the comparison with the previous figures provided to the Board at end Q2 (30 September 2016):

Financial Year	Previous (end Q2) forecast (£m) before known major risks	Previous (end Q2) forecast (£m) after known major risks	Latest (end Q3) forecast (£m) before major risks	Latest (end Q3) forecast (£m) after major risks*
2016-17	(7.483)	(9.077)	(11.193)	(11.243)
2017-18	(3.012)	(13.621)	(5.480)	(19.684)
2018-19	(1.962)	(13.102)	(4.950)	(16.305)
2019-20 and approx steady state thereafter	(1.766)	(13.240)	(4.097)	(15.781)

*Note there are other risks (as detailed in annex 1), that cannot yet be quantified, that are not included in these figures.

- 3.3. The forecast indicates a further deterioration in E20's financial forecasts since the E20 Board conducted its contract review on 6 October 2016.
- 3.4. Over the ten year business plan period, E20 is now forecast to generate a deficit of £52m even if major risks are not realised. If these risks are realised, the 10 year deficit is forecast at £164m. It is recognised that these projections are unsustainable.
- 3.5. The most obvious factor behind the deterioration since the last quarter has been a very significant increase in West Ham matchday costs following the crowd disturbances in the autumn (notably West Ham v Chelsea on 26 October). However, it is not the only factor. The table below summarises the main movements (before major risks):

Factor	2016-17 impact (£m)	2017-18 impact (£m)	Steady state impact (£m)
Position reported at end Q2 (30 September 2016) – before major risks	(7.48)	(3.01)	(1.96)
LS185 matchday costs	(0.73)	(2.06)	(2.85)
LS185 other factors	(0.42)		
Delayed naming rights, but higher income now expected once secured	s.43		
Utilities costs	(1.00)	(0.60)	(0.62)
Other minor movements	(0.49)	(0.44)	(0.34)
Latest position at end Q3 – before major risks	s.43		

3.6. There are then the following significant movements in major risks:

Major risk	Steady state assessment as at end Q2 (30 September 2016) (£m)	Latest steady state assessment as at end Q3 (£m)	Movement (£m)
Additional seat move cost	(7.11)	(6.28)	0.83
New risk – additional lifecycle investment	0	Unknown	-
New risk – “Ipswich ruling”	0	s.43	s.43

3.7. These factors and risks are now explained in more detail below.

4. LS185

4.1. LS185 has confirmed very poor net commercial revenues in the 2016 calendar year (LS185’s financial year) of just £188k. Given that E20 funded LS185’s fixed costs of just over £5m in 2016 (as required under the Operator Agreement), E20’s net

transaction with its Operator has been a very substantial net loss in 2016. A net loss was always forecast in the opening year (given the stadium was open for only half of the year), but LS185's expected revenues gradually eroded as:

- 4.1.1. The only marketing rights sold was the Heineken deal;
- 4.1.2. Other events (eg. AC/DC, RFL) underperformed against net revenue targets;
- 4.1.3. Non-event day activation of the stadium (e.g. conferences & banqueting, tours, filming, etc) has been very disappointing;
- 4.1.4. Finally and most significantly, crowd disturbances at West Ham matches rendered previous forecasts for matchdays costs wholly insufficient. Safety and security matchday costs – notably stewarding and policing – have increased by around 80% on pre-Chelsea levels. **s.43**

[REDACTED] The Man Utd match on 2 January represented the perfect storm: a category C match on a bank holiday (where stewards and Police command double time), and E20's loss on this game alone will have been around £200k (indicative figure from LS185, not yet confirmed).

- 4.2. LS185's quarterly financial report to LS185, attached at annex 2, provides more background. However, this provides very limited information on 2017 and beyond, and despite repeated prompting, LS185 have not been able to provide even a ballpark estimate of 2017 (or future years) net revenues. In the absence of this, E20 has included its own estimate within the annex 1 financial forecast (and shown in the summary table below). These future forecasts are considerably lower than those provided previously but reflect E20's assessment of the reality of the present position. With net commercial revenues set to be a negative figure in 2016-17, it is no longer credible to expect this to suddenly transform into income of £4-5m per annum in 2017-18 and beyond.¹ LS185 are currently preparing their updated business plan, due to be presented by Linda Lennon at the 28 February E20 Board. This will provide their forecasts for future net revenues. LS185 may well present more optimistic figures, but E20 should be mindful that to date LS185 has over promised – sometimes in response to pressure from E20 – and under delivered.
- 4.3. A summary of the deterioration in LS185's expected net commercial revenues is provided below.

¹ It goes without saying that E20 will continue to push LS185 to maximise net commercial revenues.

Net Commercial Revenues Forecast (£m)	VINCI Bid (Nov 2014) – at 2014 prices	LS185 Business Plan (March 2016) – at 2015 prices	LS185 Contract Review Submission (Sept 2016) – at 2016 prices	Latest forecast (as at 31 Dec 2016) – at actual prices
2015-16	1.23	0.94 (actual)	0.94 (actual)	0.94 (actual)
2016-17	3.20	2.51	0.87	(0.27)
2017-18	5.08	5.81	4.04	2.10 (no estimate supplied by LS185, this is an E20 forecast)
2018-19 onwards (“steady state”)	6.58	6.31	5.21	2.5-3.5 (no estimate supplied by LS185, this is an E20 forecast)

- 4.4. LS185 repeatedly point to factors that are in their view beyond their control as major factors behind this decline – such as unavoidable matchday costs to ensure the safety of spectators, late handover/completion of the stadium, delayed wifi (due to NR), **s.43** inflexible hospitality lounges limiting conference & banqueting sales, and a failure to deliver an effective seating system.
- 4.5. Undoubtedly LS185 have faced very considerable external challenges, some caused by E20. It would be fair to summarise that the reasons behind the fall in net commercial revenue forecasts are many and complex – and include both the underperformance of E20’s operator, and factors beyond its control.
- 4.6. Broader issues relating to LS185 performance are covered in other Board papers.

5. NAMING RIGHTS

S.43

6. UTILITIES COSTS

- 6.1. The level of utilities bills for the stadium is a new cost pressure that has emerged in the past quarter.

- 6.2. The Operator Agreement makes a provision of £1m per annum, within E20's fixed costs payment to LS185, for utilities costs. This was based on the usage of the Stade de France – this was accepted as a reasonable proxy at the time of Operator Agreement negotiations, in the absence of more reliable information.
- 6.3. E20's first utilities bills for the stadium, dating back to 13 July 2016 when the stadium was handed over by Balfour Beatty, have now been received. By far the most significant, and costly, utility is electricity. In broad terms, the stadium's current consumption levels indicate that it is currently running at a total utilities cost of c£2m per annum – £1m above the provision.
- 6.4. Unlike other aspects of "fixed costs", E20 is not insulated from this cost risk in the Operator Agreement. This was specifically omitted by LS185 in their bid. E20 must pay the actual cost in year one, with the data then used to set a benchmark for LS185 in future years.
- 6.5. Responsibility for utilities should have been seamlessly handed over from Balfour Beatty to LS185 on 13 July 2016. This would have insulated E20 from the immediate cashflow implications of this cost pressure. This did not happen, as LS185 did not accept full handover of the stadium (for reasons well-rehearsed and not repeated here), and have still not done so. In the meantime E20 has had to accept responsibility for utilities, and in particular paying the bills.
- 6.6. E20 is progressing a number of actions to address the position:
 - 6.6.1. A contract change request has been issued to LS185, aimed at them taking over responsibility for utilities without delay, irrespective of ongoing handover issues.
 - 6.6.2. VINCI Facilities have been commissioned to develop a plan to drive down utilities consumption – a 20% reduction is deemed by them to be feasible as the stadium – in part due to handover issues, such as defects in the Building Management System – is currently operating inefficiently. This will help close, though not eliminate, the ongoing cost pressure.
 - 6.6.3. A meeting with the electricity supplier has been requested, to seek a more favourable unit price.
 - 6.6.4. A reconciliation of costs is underway, so that E20 does not pay twice (via LS185 fixed costs, and the utilities supplier direct).
- 6.7. To note there is further complexity as some utilities costs are to be recharged to West Ham and other event owners, but the meters as handed over by Balfour Beatty do not currently operate as required to facilitate this. This matter is also being addressed, and does not affect the scale of the overall cost pressure.

7. SEATING COSTS

- 7.1. The seat transition costs are classed as a major risk, as E20's members have yet to agree liability for these costs. The forecast cost for the 2017-18 seat moves are as per the 17 January 2016 Board paper. This represents an increase since the end Q2 report to an estimated £10m, as additional costs beyond the contractor base fee (eg. purchase of Layher system, management fees) have emerged. The costs for 2018-19 onwards have reduced, as E20 has now decided not to move the East Stand after 2017 (unless the business case justifies it).

8. LIFECYCLE COSTS

- 8.1. s.43

8.2. s.43

8.3. E20 has pressed VINCI for more information ahead of this Board meeting, but they are taking their analysis through internal governance, and will instead provide a detailed report to E20 by the end of February. This will enable E20 to review and if necessary adjust the provision for lifecycle costs in its forthcoming business plan (to be presented at the 30 March Board, and the E20 Finance & Audit Committee ahead of that). In the meantime, annex 1 shows lifecycle costs as an unknown potential cost pressure.

9. "IPSWICH RULING" ON POLICE COSTS

9.1. There was a recent High Court ruling in respect of policing at Ipswich Town Football Club. In summary, the High Court found that the football club, not the Police, is responsible for funding the cost of event-related Policing in the area surrounding the Portman Road ground. There is the potential for the Metropolitan Police to apply this ruling to the London Stadium, thereby increasing the extent of the geographic area the Police can recover costs for. This is estimated at an additional cost of approx. s.43, based on 75 officers s.43. However, the cost will depend on actual deployment levels.

9.2. If this ruling is enforced by the Met, E20 will argue that it constitutes a change in the "Applicable laws or ACPO Guidance for Football Deployment and Costs recovery", which under clause 28 of the Concession Agreement triggers a 50% contribution by West Ham to the cost of Policing. However, initial legal advice indicates E20 has an arguable – though probably weak – case, as the ruling is more likely to be assessed as a clarification of existing law. Therefore, a cost share with West Ham is not assumed in E20's valuation of this risk.

10. OUTSTANDING RISKS / WORST CASE SCENARIO

10.1. E20 remains in an uncertain position, as it has not reached "steady state", and a number of key risk items (naming rights, stadium defects, seats, LS185 performance, matchday costs, legal challenges with West Ham) either remain unresolved or in an immature state. A full quantified risk assessment will be provided in E20's forthcoming business plan. However, in response to a specific request by members, the uncertainties that remain within E20's forecasts, and therefore leave E20 exposed to further change in the short-medium term, are currently assessed as follows:

10.1.1. LS185 net commercial revenues – LS185 has not provided an up to date forecast of future revenues, leaving E20 to make its own forecast. LS185 will present their business plan to the 28 February E20 Board. No allowance is currently made for over/under performance on the current forecast of net commercial revenues.

10.1.2. West Ham are assumed to remain in the Premier League. If they do not, their usage fee reduces by £1.25m – a risk which is not allowed for in current forecasts.

10.1.3. The asset survey, due to conclude end February 2016, is likely to find that the stadium specification as built is different to that set out in the Operator Agreement. This will precipitate an upwards adjustment to LS185

fixed costs for additional stadium maintenance. A £300k/annum major risk provision is made for this. But until the asset survey is presented to E20, it cannot be sure whether this is a reasonable provision or not.

- 10.1.4. There is no provision for defects in E20's business plan. It is assumed that the residual amount of LS185's claim that will be payable by E20 is met from E20's £14.286m discretionary fund (see below).
- 10.1.5. Naming rights may not be secured – this is already fully covered as a major risk.
- 10.1.6. Matchday costs (non LS185), notably Westfield egress costs, are forecast to significantly reduce in light of the proposed new egress arrangements. If this is not realised for any reason, this will represent an additional cost pressure.
- 10.1.7. A £200k/annum contribution to business rates from West Ham is assumed, but not yet secured.
- 10.1.8. A major drop off in legal costs is forecast from mid-2017 onwards. Ongoing legal challenges may make this assumption unsustainable.
- 10.1.9. Utilities costs remain uncertain until the actions discussed in this paper have been completed.
- 10.1.10. The current forecast assumes E20 does not move the East Stand again after 2017. If it were to do so, this would add a further c£3m/annum cost.
- 10.1.11. Beyond the specific issue of the East Stand, seating costs are nevertheless uncertain, given that E20 has not managed a seat move before, the timescales for 2017 are very tight, and E20 knows it will face at **s.43**. There is £350k of contingency in the seat moves budget, within which E20 will seek to contain any emerging pressures.
- 10.1.12. Stadium lifecycle costs are perhaps the biggest uncertainty facing E20 right now – as discussed earlier in this paper. This risk cannot be valued by E20 at present (it is classed as “unknown”). Therefore, if realised, it will represent a new cost pressure for E20.
- 10.1.13. An allowance is made under major risks for the costs of a capacity increase for West Ham matches to 60,000 (assuming the worst case that E20 loses expert determination). There is currently no provision for the capacity to be subsequently increased to 66,000, again at E20's cost.
- 10.1.14. The cost impact of the “Ipswich ruling” remains uncertain until the Met and LS185 agree a Special Police Services Agreement in spring 2017.
- 10.1.15. E20's £14.286m discretionary fund is close to being exhausted (see below). It follows that if further capital investments are agreed by members, and assuming members do not provide a further capital injection, these would need to be funded from E20's business plan. There is no allowance in the business plan for this eventuality. One major investment that E20 may consider making in the future is a new seating system, the cost of which is unknown (but likely to be in the **s.43**).
- 10.1.16. On direction from members, there is no general contingency in E20's business plan. Therefore any new cost pressure, if not matched by an equal and opposite opportunity, immediately hits E20's bottom line.

- 10.2. There are many major opportunities too – not least that LS185 performance improves, and the provisions made for various risks are not required. E20 has also set out a number of strategic options (October 2016 contract review) that, whilst not easy to implement, could deliver transformative improvements. Opportunities are not discussed in detail here, but will be fully covered in E20's forthcoming business plan.
- 10.3. However, it is clear that, whilst the forecast presented in this paper is E20's best assessment as at today, there is the prospect that the position could worsen further. If all the factors listed above went against E20, it is conceivable that a further £8-10m cost could be added to E20's annual business plan – this would be in addition to the current provision for major risks. On a worst case scenario, this could see E20 generating a c£25m/annum deficit (excluding the potential one-off cost of a new seating system).

11. WORKING CAPITAL

- 11.1. The latest forecasts outlined in this paper have implications for E20's cashflow, and its working capital requirement. Cashflow projections have been presented to members, alongside E20's working capital requirement for Q4 2016-17.
- 11.2. Members have committed to provide the necessary working capital in 2016-17 to ensure that E20 remains a going concern. E20's working capital requirement from 2017-18 onwards remains subject to further discussion between E20 and its members.

12. DISCRETIONARY FUNDING (£14.286M)

- 12.1. E20's members have agreed a provision of £14.286m for additional stadium works. This is discretionary funding on largely capital projects, the costs of which are outside of E20's business plan.
- 12.2. Of this sum, to date E20 has committed £12.748m, including £482k of the £500k delegation to the E20 Director for "spend to save" measures. This is largely unchanged since E20's previous update at the 6 October 2016 Board meeting.
- 12.3. There remains a further £871k of unresolved liabilities against existing items – where E20 has not agreed with either LLDC Transformation, LS185, or West Ham, the funding liability. E20 has shared a paper with LLDC and LBN officers setting out its position on unresolved liabilities with LLDC; LLDC has requested that final resolution is reached as part of the financial close-out of transformation works.
- 12.4. E20 has now identified a list of future potential costs/investments, totalling c£3m. These costs are not yet committed. E20 has a choice whether to make these investments. They range from items that are purely discretionary (such as Montfichet Road improvements) to items that E20 is likely to have some liability for, but the amount of which is still to be determined (e.g. LS185 claim for handover delay). E20 has currently listed the maximum liability/cost, and the actual cost may be less.
- 12.5. E20 is not requesting any decision on discretionary funds at this meeting. It will return to a future Board meeting with further advice on the future items to prioritise. E20 recognises that the discretionary funding from members is limited to £14.286m, and that costs must be contained within that provision.
- 12.6. The Board should note that, if the unresolved liabilities fall in full to E20, the upfront liability for disputed costs is not reduced (see Board paper on LS185), and E20 agrees

to fund up to £870k towards wifi (see Board paper on LS185), then it would breach the £14.286m provision.

12.7. This position is summarised in the table below:

Summary	£
Discretionary funds budget	14,286,000
Funds committed to date	12,748,086
Budget Remaining	1,537,914
Unresolved liability	871,025
Budget remaining if all liabilities fell to E20	666,889
Total value of potential future investments identified	2,976,200

12.8. Annex 3 provides further detail, showing:

- 12.8.1. Breakdown of commitments against the discretionary fund;
- 12.8.2. Breakdown of commitments under the Director's £500k delegation;
- 12.8.3. List of future potential costs/investments.

Annexes

Annex 1 – End Q3 forecast against business plan

Annex 2 – LS185 quarterly financial report

Annex 3 – Breakdown of discretionary funding costs

Report originator(s): Martin Gaunt

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S.43

Quarterly Financial Review: Q4 2016

Commercial in confidence

S.43

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4-West Ham games

WH event costs

The costs related to the West Ham games are the main concerns in terms of impact on the Net Commercial Revenues:

- As a reminder, the events costs were already higher than initially expected because of the egress piece that the other venues in UK are not accountable for (assessed at £ 50k/game in our Contract Review). For more information, please refer to the Contract Review.
- Furthermore, following the fans' behaviour on the Watford and Chelsea games, the safety costs have increased significantly:

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Subject: Stadium Defects and Asset Surveys

Meeting date: 31.1.17

Agenda Item: 4

Report to: E20 Stadium LLP Board

Report of: Alan Skewis, Director of E20 Stadium LLP

1. SUMMARY

- 1.1. Issues relating to the handover of the stadium were reported to the Board in November 2016. Shortly after the Board meeting formal handover of the stadium from Balfour Beatty took place.
- 1.2. LS185 have been operating the stadium since that time, with weekly E20-LS185 meetings to review the outstanding issues relating to defects, assets and achieving the full operating period.

2. RECOMMENDATIONS

- 2.1. The Board is asked to:
 - 2.1.1. **NOTE** the position on defects, cleaning and asset surveys. The possible financial implications have been included in the finance report to the Board.
 - 2.1.2. **AGREE** the need for a suitable temporary variation to the LS185 contract to deal with the period between July 2016 and c.April 2017, with delegation to an NLI and LLDC nominees to agree the details of any such variation

3. IMPACT ON SYSTEMS AND ASSET ISSUES ON LS185 OPERATIONS

- 3.1. LS185 have identified a number of significant concerns over their ability to operate the stadium in line with their contract. LS185 have stated a c.£100,000 per month additional cost arising from this.
- 3.2. It is undeniable that the partial handover in July 2016, the delay to handover to November 2016 and the large number of unresolved defects, has created the conditions for a claim from LS185.
- 3.3. E20 has not accepted LS185s estimates, and is scrutinising what, if any, figure is justifiable.
- 3.4. It is anticipated that an excusing event as set out in Clause 16 of the Operator Agreement or a Supplementary Agreement will need to be agreed, and settled with LS185 for the period from July 2016 to date, as well as such a point where the major defects are addressed. A draft form of agreement is attached as Annex 2.
- 3.5. There is active discussion (but no conclusion) about where the responsibility for meeting this claim would lie, between:
 - 3.5.1. Balfour Beatty – for not rectifying defects and non-delivery of scope.
 - 3.5.2. LLDC Transformation – for defects / maintenance issues out of BB scope
 - 3.5.3. LS185 for matter generated by their operations

- 3.5.4. E20 for improvements to the stadium needed that were not in the LLDC transformation scope.
- 3.6 The above could also give rise to:
 - 3.5.5. An increased annual facilities management operational cost claim from LS185 for additional maintenance and life cycle due to following: condition of assets, increased number of assets, design and specification implications.
 - 3.5.6. Increased utilities costs for July 2016 to Full Operating Period commencement and beyond. (As noted in Agenda item 3 section 6). This amount will be influenced timeframe to achieve optimisation of systems, additional assets identified in Asset Survey, introduction of potential utility cost saving measures.

4. DEFECTS

- 4.1. LS185 have raised concerns over the significant number of defects that remain outstanding, the lack of timely resolution of defects by BB and the impact they have of their regime for operating of the stadium.
- 4.2. Further pressure is being placed on BB to resolve defects, or where appropriate pass them to LS185 to address with payment reimbursed by BB.
- 4.3. An intense period of defect resolution is needed to get to a more comfortable position, and support moving into the normal operation of the stadium without the variation to the LS185 contract noted in section 3 above.
- 4.4. Weekly updates will be given to E20 on progress, and pro-active engagement to resolve and push BB to resolve issues is being made.
- 4.5. There are currently significant defects or resilience issues with following event critical systems; Floodlighting, Stadium lighting, PAVA and Fire alarm.
- 4.6. It has been agreed with the LLDC transformation team that where defects occur on event critical systems and/or are having a major impact on stadium operation then the Operator takes measures to rectify the defects and with reimbursement from Transformation/BB.

5. CLEANING

- 5.1. The norm for a stadium would be for the contractor to compete a deep clean of the venue prior to handover. This has been complicated by:
 - 5.1.1. The stadium being in existence when BB began their works
 - 5.1.2. Balfour Beatty not being responsible for some legacy assets, so not having to clean these at the end of their contract period
 - 5.1.3. BB undertaking a clean of the stadium before the Rugby World Cup in 2015. They claim that this means they do not need to do a clean in 2016
 - 5.1.4. Use of the venue for events by LS185 after July 2016's partial handover
 - 5.1.5. Capital works outside the scope of BB being carried out (Stadium wrap, WHU works etc.)
 - 5.1.6. The Operator maintains that some certain elements of design and specification of materials are adversely impacting on the cleaning regime.(Flooring to Boleyn Bar).
- 5.2. With agreement of all parties LS185 undertook a schedule of cleaning that could take place. This was split into 10 lots. The total for all lots is in excess of £1.1m, and is clearly unaffordable. (See Appendix 3).

- 5.3. A prioritisation exercise is currently being undertaken, including:
 - 5.3.1. Assessing areas where there is an impact on maintenance and lifecycle costs
 - 5.3.2. Areas that impact the public (up to 4m has a higher impact than above 4m)
 - 5.3.3. Levels of customer complaints
 - 5.3.4. Assesses the impact of a deep clean (e.g. concourse toilets are close to the end of their life, so better to plan to resurface in 2 years' time)
- 5.4. A conclusion will be put to a future Board for approval, along with a proposed contribution from E20. It is expected that other parties will also contribute.

6. ASSET SURVEYS

- 6.1. Although the full operating period has not commenced LS185 have started asset surveys, and expect them to be largely completed by early March 2017. LS185 will reserve their position to adjust the survey conclusions until major defects have been addressed.
- 6.2. The early notification of asset issues is a positive step, and one that will support earlier identification of ways to manage, improve and plan for lifecycle replacement.
- 6.3. LS185 have identified that indications to date are that there will be significant lifecycle issues earlier than anticipated in the contract. This is a result of:
 - 6.3.1. The building being a construction rather than operational site for significant part of its post 2012 life (e.g. wear and tear/ damage lifts used for construction not just operation)
 - 6.3.2. Original stadium assets having been in place since 2011/12, and asked to perform different functions to those originally anticipated in a temporary stadium
 - 6.3.3. Increased number of Assets than anticipated at bid stage
- 6.4. The Board are not asked to decide anything at this stage, but note that the asset surveys are under way, and could present significant challenges in the coming period.

Annex 1: L185 Summary of Key defects and other issues

Attached separately

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Annex 1

Asset/System	Highlight of issue (not exhaustive)
BMS	The BMS install is a basic system with little functionality. It is has not been installed to all systems in the stadium, has no remote functionality and the reporting capability has not been fully developed. The system logic is being found to be either incorrect or inappropriate for a Stadium delivering events and it requires reconfiguring. It has reused legacy assets, some of which are obsolete or nearing their lifecycle
Closed systems – LTHW and CHW	The treatment of the current water quality has not been sufficiently detailed by BB for this particular issue to be adopted by VF. The 2 port/4 port WHU system conflict has not been resolved and is still in dispute for Mace/BB to resolve with WHU. This has a direct impact on the West Stand heating and cooling and VF cannot be held responsible for the consequence of this not being resolved. There is no evidence of the LTHW system Compressors and Degasser units having been commissioned and there has been a significant number of failures relating to these units. There are no fixed top up loops installed as part of the LTHW installation and the whole system fails on the loss of pressure from 3 bra which can take as little as 1 litre of water loss. Rectification times due to BMS configuration can take an hour or more which has direct impact on Events.
Drainage to Pods	Poor design resulting in high risk of flooding due to the configuration of the pipework and the lack of non return valves to the concession units.
Electrical Systems Including Fixed Wire Testing	VF are currently undertaking a survey of the physical electrical system to confirm condition and whether the faults identified on the last fixed wire testing have been actioned and also the completeness of the paperwork. Last inspection date for the electrical system in the BB Sat Pack is 2014 which would mean a full fixed wire test of the stadium is required in 2017. This cannot be correct as the systems have been worked on by BB as part of the Transformation Works which would require inspection and certification.
Emergency Lighting	The emergency lighting includes multiple systems. BB did not provide a Schedule of Emergency Lights and none of the Emergency Lighting fitting were not marked. There are no records of previous maintenance. VF carried out a 3 hr discharge to confirm condition and there were a large number of failures recorded, above and beyond the number expected of a new system which had been maintained. The design philosophy is poor meaning that a large number of emergency light fitting are always on resulting in poor energy efficiency.
ETFE Roof	There has been a number of failures of roof air pumps already experienced which can lead to pooling of water if it is raining at the same time which can pose a risk of catastrophic failure. It is not linked to the BMS and there is no warning system which requires additional daily inspections. In addition it is not self-cleaning, as indicated in the design, due to the shape of the stadium structure and the effect of prevailing winds, therefore requires manual cleaning.
Expansion Joints	There are a number of significant leaks through the main stadium expansion joints from the podium level into the lower ground areas. This is a latent defect (McAlpine) which has not been dealt with by Mace during the time of the Transformation Works
Fire Dampers	VF have commissioned a full survey of the fire dampers and found a significant number of defects, including defective dampers, lack of access and missing dampers
Fire Stopping	Defects to the fire stopping have been noted and VF are commissioning a full survey of the fire stopping to confirm the extent of these defects
Fire Systems Including hydrants and dry risers	High level of faults to devices being experienced across the system. The cause & effect matrix does not have a differential mode between event and non event which impacts on the security of the stadium and has required mitigating works as a result i.e. chaining of halo doors. The fire hydrants and dry risers were non-compliant at handover having lapsed their previous due date for inspection which is a Statutory requirement
Floodlighting	High level of failure of electrical circuits, bulbs and ballasts. This is a combination of defects to the system and legacy assets being used with the bulbs and ballasts reaching their end of life.
Gas System	VF commissioned a full Gas Safe inspection of the Gas Installation and found a large number of defects. VF consider that this system is non-compliant with the requirements of Gas Safe as an Installation
Grounds Including Biodiversity	High level of defects throughout including the seeding of the meadows, high level of invasive flora, dead trees and pest infestation to the living walls
Grounds Irrigation System	VF have carried out a full inspection of the system and found a large number of defects including leaks to the rain effect irrigation to the living walls, Rainbird sprinklers and tree drips. The non potable supply to the storage tank is insufficient as a result of the second supply being terminated during the Transformation Works. Consequently the refill time is too slow for it to be used for manual watering during the day as well as irrigating during the night. The design philosophy of the system is reliant on large areas receiving watering by manual watering
Halo Doors	Failure of maglocks and lack of non-event mode in fire cause and effect
FOP Irrigation System	It has been identified that the system does not have a back pump which puts the FOP pitch at risk if there is a pump failure. There is also no tap in point for a temporary water supply to be connected i.e. bowsered water or alternate supply.
LED Screens	There has been a high level of individual panel failures due to failures of legacy components. These have been replaced from existing stock to date but this has now been fully depleted and is not covered under warranty.
Legacy Toilet Blocks	Poor finishes throughout impacting on cleaning and maintenance
Lifts	The lifts have consistently demonstrated a high level of failures due to poor maintenance during the Transformation Works, passenger lifts being misused as goods lifts and poor quality lifts having been installed during the initial installation for the stadium. VF are commissioning a full survey of the lifts.
Lower Seating Bowl	The surface finishes are inappropriate for a stadium and require a high level of cleaning to maintain to the correct standard. There have been a large number of issues with broken and loose seats experienced during the first 6 months of use.
PAVA	Significant number of failures and vulnerable system due to use of legacy assets and poor maintenance during the Transformation Works and
Podium Finishes	Multiple surface finishes, lack of fabric protection
Potable Water	Concern around WRA, Chlorine Dioxide unit and turnover of stored water
Roof	Leaks from roof penetrations which are currently a defect with BB. Not being resolved and impacting on Events
Security Systems Including CCTV and access control	VF are undertaking a full review of the system. There have been a high level of failures as a result of the use of legacy assets and poor maintenance during the Transformation Works
Storm & Foul Water Drainage	Lack of washdown capability
Upper Seating Bowl	Inability to jetwash due to open joints
West Stand Doors	High level of failures to ironmongery which has resulted in accidents and injury to the public and impacting the security of the stadium
West Stand Finishes	Expensive, vulnerable finishes with lack of protection and poor design for catering logistics
Emergency Telephones	Number of outstanding defects with inoperable phones and including refuge phones. In general the telephones at podium level have either a low ring volume or do not ring and a number of indicators beacons do not function.

Annex 2: Draft Excusing Event Document (as per Clause 16 of the LS185 Contract)

Private & Confidential

Draft 16 January 2017

2628468

Dated

2017

E20 STADIUM LLP

(1)

AND

LONDON LEGACY DEVELOPMENT CORPORATION

(2)

AND

LONDON STADIUM 185 LIMITED

(3)

AGREEMENT RELATING TO DELAY

in completion of the London Stadium

CONTENTS

Clause	Heading	Page
1	.....	Interpretation
	.....	2
2	.....Waiver of Change Control Procedure in the Stadium Agreement	
	.....	3
3	.....delay in completion	
	.....	3
4	.....Confidentiality, freedom of information and transparency	
	.....	3
5general clauses	
	3
6dispute resolution, Law and Jurisdiction	
	3
SCHEDULE 1	
	4

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THIS AGREEMENT is made

2017

BETWEEN:

- (1) **E20 STADIUM LLP**, a limited liability partnership incorporated in England and Wales (Registration number OC376732) whose registered office is at Level 10, 1 Stratford Place, Montfichet Road, London E20 1EJ ("**E20**")
- (2) **LONDON LEGACY DEVELOPMENT CORPORATION** whose principal office is at Level 10, 1 Stratford Place, Montfichet Road, London E20 1EJ ("**LLDC**")
- (3) **LONDON STADIUM 185 LIMITED** (Registered in England No. 09359341) whose registered office is at the Stadium at Queen Elizabeth Olympic Park, London E20 2ST ("**Operator**")

WHEREAS:

- (A) The parties to this Agreement entered into the Stadium Plus Operator Agreement dated 30 January 2015 ("**Stadium Agreement**").
- (B) The Completion Date (as defined in the Stadium Agreement) did not occur on or before the 31 July 2016 (as anticipated by clause 5.5 of the Operator Agreement).
- (C) This Agreement sets out the parties' agreement on the consequences of that delay in Completion.

THE PARTIES AGREE to the following:

1 INTERPRETATION

- 1.1 Unless otherwise stated words and expressions defined in the Stadium Agreement shall have the same meaning in this Agreement.
- 1.2 All references to Clauses are to Clauses of the Stadium Agreement.
- 1.3 Headings are inserted for convenience only and shall not affect the interpretation of any provision of this Agreement.

2 WAIVER OF CHANGE CONTROL PROCEDURE IN THE STADIUM AGREEMENT

2.1 The parties agree to waive the provisions of Clause 17 and Schedule 9 of the Stadium Agreement, if and to the extent they apply, for the purposes of this Agreement only.

3 DELAY IN COMPLETION

3.1 The parties agree that the Completion of the Transformation Works had not occurred on or before 31 July 2016. Therefore an Excusing Event has occurred and the provisions of Clause 16 of the Stadium Agreement apply.

3.2 Schedule 1 to this Agreement sets out the parties' agreement regarding the impact of the Excusing Event arising due to the failure to complete the Transformation Works on or before 31 July 2016.

3.3 The parties shall comply with and fulfil their respective obligations set out in Schedule 1.

4 CONFIDENTIALITY, FREEDOM OF INFORMATION AND TRANSPARENCY

Clause 27 of the Stadium Agreement shall apply to this Agreement, as if it was part of the Stadium Agreement.

5 GENERAL CLAUSES

Clauses 37, 38 and 39 of the Stadium Agreement shall apply to this Agreement, as if it was part of the Stadium Agreement.

6 DISPUTE RESOLUTION, LAW AND JURISDICTION

Clauses 40, 41 and 42 of the Stadium Agreement shall apply to this Agreement, as if it was part of the Stadium Agreement.

IN WITNESS OF THE ABOVE the parties have signed this Agreement on the date written at the head of this Agreement.

SCHEDULE 1

[This Schedule should set out what the parties are going to do (or not do) and when by as a result of the delay in Completion. Consideration should be given to:

- *impact on the Services (before and after date of this Agreement);*
- *additional actions;*
- *adjustments to charges arrangements (before and after date of this Agreement).*

Parties should try and agree an impact of variation of Balfour Beatty contract post 30 January 2015.

Parties should agree whether the Transaction Works are Completed and if not what needs to be done to achieve Completion.

NB This should be limited to impact of delay in Completion and the post 30 January 2015 variations. It is suggested that disputes about the appropriateness of the stadium design as at 30 January 2015 will not gain much traction with E20.]

1 In this Schedule the following words shall have the following meanings:

First Supplementary TW Agreement	the variation dated 23 February 2015 to the Transformation Works Tier 1 Contract between E20 and Balfour Beatty Group Limited; and
Second Supplementary TW Agreement	the variation dated 1 May 2016 to the Transformation Works Tier 1 Contract between E20 and Balfour Beatty Group Limited.

[NB Use definitions in Stadium Agreement to extent possible]

SIGNED by)
[insert name])
on behalf of) **Authorised Signatory**
E20 STADIUM LLP)

SIGNED by)
[insert name])
on behalf of) **Authorised Signatory**
LONDON LEGACY DEVELOPMENT)
CORPORATION)

SIGNED by)
[insert name])
on behalf of) **Director and Authorised Signatory**
LONDON STADIUM 185 LIMITED)

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Annex 3: Deep Cleaning Lots (Stadium Support Services quote)

Property Ref	Property Name	System	Prelims	Labour	Materials	Equipment	S/C
FA0017	London Stadium	1 : Medium to Very High Level Cleaning	29,000.00	156,690.00	12,983.00	39,489.00	inc
				-			
FA0017	London Stadium	2 : 'Buggy Route' and Public Areas	13,000.00	125,495.00	12,893.00	24,688.00	inc
				-			
FA0017	London Stadium	3 : Medium Level Cleaning	10,000.00	62,982.00	8,479.00	12,467.00	inc
				-			
FA0017	London Stadium	4 : Internal Lighting	5,000.00	29,691.00	2,200.00	4,832.00	inc
				-			
FA0017	London Stadium	5 : Plant Rooms	6,000.00	23,451.00	3,800.00	4,382.00	inc
				-			
FA0017	London Stadium	6 : Seating Bowl Deep Clean	19,000.00	93,334.00	19,666.00	14,533.00	inc
				-			
FA0017	London Stadium	7 : M&E Assets	6,000.00	32,514.00	4,500.00	4,800.00	inc
				-			
FA0017	London Stadium	8 : Drainage	10,000.00	41,342.00	2,500.00	6,000.00	inc
				-			
FA0017	London Stadium	9 : Lower Level Façade and Window Cleaning	18,000.00	61,418.00	14,525.00	10,866.00	inc
				-			
FA0017	London Stadium	10 : Internal Cleaning	19,000.00	114,272.00	12,576.00	10,866.00	inc
				-			
SUB TOTAL			135,000.00	741,189.00	94,122.00	132,923.00	-
OVERALL TOTAL							1,103,234.00

Discount for award of multiple lots	
No. of Lots	Discount (%)
2 to 4	0
5 to 7	2
8 to 10	8

*The discount will be applied to the total value of the lots that awarded, prior to the addition of OHP.

Subject: Seating Contract Management and 2017 Technical Support

Meeting date: 31.1.17

Agenda Item: 5

Report to: E20 Stadium LLP Board

Report of: s.40 [REDACTED], Assistant Business Manager of E20 Stadium LLP

1. SUMMARY

- 1.1. This report provides the E20 Stadium LLP Board with an update on management of the seat moves in 2017, and the associated management of complex logistical/programme arrangements during the May to September 2017 period.

2. RECOMMENDATIONS

- 2.1. The Board is invited to:

- 2.1.1. **NOTE** the decision by LS185 to not take responsibility for managing the seat moves in 2017;
- 2.1.2. **AGREE** that in the absence of LS185 being willing to manage the seat moves, E20 will themselves do so, noting the risks;
- 2.1.3. **AGREE** to up to £40,000 being made available for a Programme / Logistics Manager to be employed by LS185, to integrate the intense period of bump in and bump out activity for events and the area to the south of the stadium between May and September 2017. s.43 [REDACTED]
- 2.1.4. **AGREE** to E20 appointing a framework Technical Advisor for adhoc architectural advice, specifically related to seat locations.

3. RELOCATABLE SEATING CONTRACT

- 3.1. Following the Board's decision to award the contract at its meeting on 17th January 2017 (and the necessary standstill period), the seating contract is due to be signed on 1st February 2017. The contract requires the following resources to manage and administer it:
- 3.1.1. A Project Manager to represent the E20's interests and provide assurance on cost, programme and stakeholder management;
- 3.1.2. A Contract Administrator to administer the E20's obligations relating to the contract and ensure payments and notices are made in accordance with these; and
- 3.1.3. A Safety Officer to ensure the overriding safety obligations placed upon E20, as the owner of the seating, are complied with. This would predominantly be a part time role which quality assures the Contractors own safety obligations.
- 3.2. The cost of these roles was already factored into the 2017 seating cost estimate provided at the last Board meeting, and are unchanged at up to £200,000.

4. LS185

- 4.1. The tender returns provided further evidence that the seating cannot be transitioned in line with the target contained within the Stadium Plus Operator Agreement – 7 days. As a result, E20 has yet to fulfil its contractual commitment to LS185, that would have triggered LS185 taking on responsibility for the seats.
- 4.2. E20 made a proposal to LS185 nevertheless requesting that they take on the seats, with E20 accepting that it would largely retain the cost and reputational risks (see appendix 1).
- 4.3. LS185's response, stating that they will not take on this responsibility, is attached at appendix 2.
- 4.4. This is extremely disappointing and contributes to a wider concern over LS185, as operator. This is covered in a separate paper.

5. NEXT STEPS AND RISKS ON RELOCATABLE SEATS

- 5.1. Given LS185's decision not to manage the seat moves, and the need to contract the winning tenderer asap, E20 will immediately move to managing the seat moves itself by appointing the resources detailed in para. 3.1.
- 5.2. In doing so, E20 will avoid having to pay LS185 a management fee, but will be more exposed to the risks associated with the seat moves.
- 5.3. The Board should also note that E20 have not directly delivered a seating transition programme before. In doing so, E20 will be moving beyond the role it was set up to fulfil.

6. LOGISTICAL MANAGEMENT DURING MAY-SEPTEMBER 2017

- 6.1. The seat moves form part of a wider logistical challenge during the May-September period for the stadium and adjoining area. Throughout this period:
 - 6.1.1. The construction of the Secondary school on the stadium island is in its peak period during Spring/Summer 2017, with concrete pouring and crane work on the site.
 - 6.1.2. There will be intense work being undertaken on the Primary school site to ensure opening by September 2017.
 - 6.1.3. The stadium will be operating with WHU using their offices and day to day deliveries to LS185, Delaware North and West Ham.
- 6.2. On top of this event related, deadline driven, activities create further pressure:
 - 6.2.1. Shell Eco Marathon (May)
 - 6.2.2. First Relocatable Seat moves (24 hour working from Mid May-start June)
 - 6.2.3. Concert bump in and bump out (June)
 - 6.2.4. London 2017 bump in (26 June-10 July)
 - 6.2.5. IPC (10 July-23 July)
 - 6.2.6. Transition between IPC and WAC (23 July -4 August)
 - 6.2.7. WAC (4 August – 13 August)
 - 6.2.8. WAC bump out (13 August-21 August)
 - 6.2.9. Relocatable Seat Moves to football mode (13 August-25 August)
 - 6.2.10. Mid tier seat Moves (28 August – 10 September)
- 6.3. The above makes 2017 another unique year in the stadium's life!
- 6.4. The majority of the logistical pressure is on the area to the south of the stadium, as it is the location for the school construction, as well as providing the main access routes into the stadium for event bump in, links to storage areas in Pudding Mill Lane, athlete drop off and training during London 2017. See attached plan at Annex 3.

- 6.5. It is agreed by all the parties involved that a resource is required to integrate and manage the various programmes and logistics. The person will be a single point of contact and strategic planning for the logistics of the site, as well as resource to manage the programme interfaces on the ground, particularly traffic management.
- 6.6. It is vital that the person has a high degree of authority and can act as an arbiter in cases of programme conflict. The logistical planning will depend on very efficient working, and the costs of failure are high i.e. seats not being in place in time, London 2017 logistics not working, concert promoter claims for disruption are all real.
- 6.7. E20, LLDC, LBN and the partners will need to agree to respect the authority of the appointed person, including where it clashes with their preferences or it creates issues for them.
- 6.8. It is proposed that LS185 are best placed to provide this resource, as they are the stadium operator and the contracted body to London 2017 and concerts.
- 6.9. Consideration was given to this resource being part of the E20 seating management team. This could have offered some efficiency. However, the need for a dedicated resource that is independent of any one interest is felt to be vital.
- 6.10. This resource will be charged back to the events where possible. There are, however, likely to be some areas where charge back is not possible or desirable. These include:
 - 6.10.1. Charge to school construction where there agreed programme is disrupted
 - 6.10.2. Additional accreditation points / cards etc. for school construction workers

7. STADIUM TECHNICAL ADVISOR

- 7.1. E20 have previously used KSS for ad hoc advice on the stadium seating configuration. This has been done under LLDC procurement.
- 7.2. E20 expect to need similar advice in future, to assist with future feasibility studies and the graphical drawing of potentially different seating and facility plans. The type of advice includes:
 - 7.2.1. CAD drawings showing seating layouts and the layout of other facilities such as Concession Units, Toilets, Turnstiles, Offices, Seating;
 - 7.2.2. Advice of spectator sight lines and distances between seats and FoP/Stage
 - 7.2.3. Advice on broadcast positions, viewing angles and number of seat 'kills' positions generate;
 - 7.2.4. Advice on crowd and vehicle flows which identifies pinch points; Capacity assessments for various sports, particularly once event overlay requirements are known.
- 7.3. Logically, such consultancy appointments would be made by LS185, who will normally identify the need for such advice. However, there have been in the past, and are likely to be in the future, circumstances where E20, itself, wishes to investigate an issue, possibly to challenge or confirm the stadium operator's viewpoint.
- 7.4. E20 therefore propose to instruct LLDC Procurement to act as its agent and go out to market to procure a framework partner who it could call upon when the need arises at pre agreed rates. Typically these types of studies require a quick turnaround, hence the need to put a framework in place.

APPENDIX 1

EMAIL FROM MARTIN GAUNT TO LINDA LENNON 9th JAN 2017:

Linda,

Without prejudice

Following discussion at recent meetings, we are writing to set out proposed terms for LS185 taking on the movement of the seating system in 2017. We have set out terms that address what we understand to be your concerns. It would be good to discuss this as part of the E20-Operator meeting tomorrow – we will be happy to elaborate then, and of course expect you to take it away and consider further (ink with your Board).

Financial

E20 propose that LS185 pass through the contractor's seat move costs to E20, plus a management fee. LS185 would take on the seating contract with the contractor appointed through E20's ongoing procurement process, and would pay them in line with that contract. LS185 would then recover those costs in full from E20, plus a management fee. E20 will need assurance that contractor costs are minimised, so we will need to put in place arrangements with you to provide for that. It is likely to include an E20 representative (s.40) being kept abreast of all key decisions / financial commitments.

The LS185 management fee would cover LS185 resourcing to manage the contract, any associated costs, plus an element of LS185 profit. E20 has undertaken a full assessment of the estimated costs were it to manage the seat moves itself. This covers all costs other than those incurred directly to the seating contractor. Most notably this includes the resourcing of a project manager, contract administrator and safety officer. E20 estimates that it could manage the work for £200k. A full breakdown is attached. LS185 are invited to propose a management fee that is competitive against E20's £200k benchmark.

These arrangements would apply for 2017 seat moves only. E20 propose that the parties review the financial arrangements for future moves in autumn 2017. This will enable longer term arrangements to be agreed once far greater information and experience has been gathered by all parties. LS185 should manage the 2017 move on an open book basis, in order to inform arrangements for future years.

London 2017, UK Athletics and West Ham United

In 2017, E20 will be responsible for agreeing the relevant contract changes that arise from the seat move cost and time requirements with all of these organisations. This includes changes to contracts, and any damages or compensation due.

Reputational

E20 recognises that LS185 (and the wider VINCI family) does not want to bear reputational risk relating to the seat moves, given the earlier challenges with the seating system. However, LS185, as operator of the stadium, must recognise that its strong association with the stadium means it is far from immune from reputational impact regardless of whether it is actually responsible for the seat moves – whether that is fair or not.

E20 is committed to developing a joint communication strategy with LS185 (and potentially West Ham and UK Athletics too) in relation to the seat moves. This would include public lines to be used in the event that the seat moves are completed successfully, or in the unlikely event that the seat moves are not completed in time ("unlikely" given that this has never happened previously, and the provisional

2017 commitments do not promise anything that hasn't been delivered previously and/or is within the pre-tender estimates for time required for seat moves). Pre-agreed, or reactive public lines in relation to the seat moves must all be agreed between E20 (LLDC Comms team on its behalf) and LS185 – this gives LS185 comfort that it can protect itself from reputational impact. If the circumstances require it, and it is appropriate from a communications perspective, E20 is prepared to be clear in these lines that:

- The seating system was designed by E20 (not LS185);
- LS185 are managing a challenging seating system it inherited;
- Overall responsibility for the seating system rests with E20 (not LS185).

E20 proposes a meeting between Ben Fletcher (LLDC Director of Communications, acting on behalf of E20) and Michael Temple (LS185 Head of Commercial/Communications) to further develop these arrangements.

We look forward to discussing this with you tomorrow.

Martin Gaunt
Business Manager
E20 Stadium LLP

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APPENDIX 2

LONDON STADIUM 185 LIMITED

Martin Gaunt
Business Manager
E20 Stadium LLP
Level 10,
1 Stratford Place,
Montfichet Road,
London, E20 1EJ

24th January 2017

Dear Martin,

WITHOUT PREJUDICE: SEAT MOVES

I am now in a position to formally respond to your "Without Prejudice" proposal in respect of the retractable seating, having had further conversations with the Chair of the LS185 Board and with Grant Cristall who has also had discussions at a more senior level in VINCI Facilities.

You are aware from our conversation last Thursday and my subsequent note, that Graham and I spent some time with our Chair in Paris last week looking at the issues and challenges we face on our side from the VINCI perspective. We also looked at the proposal in context of the Mayoral Review and the reputational issues although being mindful of your offers in this respect.

Having weighed up the big picture very carefully our agreed decision is not to take up this proposal at this time.

This decision has not been taken lightly but our Board are concerned that already we have a number of issues between us.

In particular, the non-resolution of the disputed costs has dragged on almost another year past the date of the mediation hearing despite our paying for e.g. Banquette seating, grow lights and tractors in good faith. s.43

If the partner walks away there is currently no alternative proposal to resolve this without resorting to legal action.

s.43

Specifically several members of the team have had to work through the whole process again and attending numerous meetings in respect of both potential partners.

Our Board also remain concerned by the decision by the E20 Board in October not to move the East Stand back for concerts and World Athletics despite our very strong advice to do so. As mentioned this not only jeopardised our, i.e. LS185's, relations with event promoters, but the VINCI Stadia group overall given their concert contracts with e.g. Live Nation. Indeed the decision was greeted with almost disbelief given the timing of the decision coinciding with the announcement of our first concert and all the additional work that entailed. It has also impacted on concert capacities and therefore on potential profit margins and shares. We have also had to put in huge efforts to retain confidence with event promoters given the reputational impact.

There are then all the issues with handover including the delays; the snags and defects plus the additional costs which VINCI Facilities are incurring in an effort to keep the Stadium operable for Premier football. These are in addition to the numerous out of scope works carried out by the LS185 team as evidenced by more than 50 contract changes to date. These already more than demonstrate our partnership approach and support to E20 as we look to assist with what have been clear gaps in the defined scope.

The Board also considered the seat timings and the impact on what were already limited event windows. Discussions about the West Ham deal and associated costs, and the often legalistic non partnership workings, also took place.

Given the above and the discussions about breaches, the Board could not support taking on additional responsibilities without proper resolution of the outstanding issues. It was also very aware that in 2017 the London Stadium will probably be the busiest Stadium in the UK this year and the focus needs to be in continued successful operations.

Yours sincerely,

Linda Lennon CBE
Chief Executive
LS185

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APPENDIX 3



Subject: LS185: Performance review, disputed costs, wifi and other contractual matters

Item: 6

Meeting date: 31 January 2017

Report to: E20 Stadium LLP Board

Report of: Martin Gaunt, Alan Skewis

1. SUMMARY

- 1.1. This report provides an update on the response LS185 have made to E20's strategic review in early October 2016. It also sets out the proposed terms of an agreement on disputed costs, wifi and a progress update on other contractual matters.

2. RECOMMENDATIONS

2.1.

2.2.



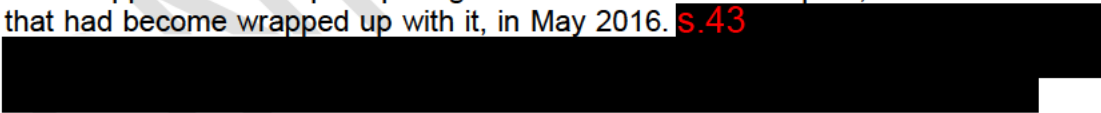


3. UPDATE

- 3.1. At the 6 October 2016 Board E20 set out a number of options relating to LS185, based on their performance.
- 3.2. In October the E20 Board were presented with an option of E20 taking control of LS185. It was identified that this would align risk and financial responsibility better,

but had the disadvantage of developing a “public sector in house” culture. On that basis the Board were reluctant to break the current arrangements with VINCI, but did demand that LS185 / VINCI take on more responsibility and risk.

- 3.3. This was communicated to LS185 in a letter dated the 26 October 2016 (see Annex 1), with a response received shortly afterwards. Both were reported to the E20 Board at the end of November 2016.
- 3.4. Annex 1 shows how these have progressed since. Three of the ten areas are RAG rated Red:
 - 3.4.1. 2016-17 Business Recovery Plan, which they have fallen far short of, as West Ham matchday costs have escalated and exacerbated a lack of progress elsewhere;
 - 3.4.2. Commercial resourcing and performance;
 - 3.4.3. Decision to not take on responsibility for operating the relocatable seats.
- 3.5. Another area - the 2017/18 business plan, could be argued to be given that as of today LS185 do not have an up to date forecast of net commercial revenues for 2017. They are progressing their business plan, ultimately to be presented to the 28 February E20 Board.
- 3.6. The recurring theme of LS185 not taking on risk, but having independence from E20, has not fundamentally changed and remains a concern.
- 3.7. In this context it is felt that the Board should consider whether to review their position, and ask for more detail to be presented on a more fundamental change to the relationship where E20 takes over as the “parent” to LS185.

4. DISPUTED COSTS AND CONTRACTUAL MATTERS

- 4.1. By way of background, a dispute emerged between E20 and LS185 in 2015 over responsibility for funding necessary power and catering capital upgrades to the stadium. Following a period of mediation (which technically is still ongoing), the E20 Board approved an in principle agreement to settle this dispute, and other issues that had become wrapped up with it, in May 2016. s.43

- 4.2. s.43

- 4.3. s.43

- 4.4. In autumn 2016, E20 and LS185 identified a list of around 20 different contractual matters requiring resolution – issues which went far beyond the terms of the original dispute. Some have been resolved, some are ongoing, and some (including the original dispute) are now put to the Board for decision.

4.5. **Contractual matters resolved**

- 4.6. **Hospitality lounge design** – LS185 have repeatedly complained that the fixed furniture in the hospitality areas is too inflexible, and makes it harder to attract conference and banqueting events. E20 has delivered the hospitality areas as per the plans at bid stage, and believe VINCI were well sighted on these plans at bid stage (though we do not have conclusive proof). E20 and LS185 have now pragmatically agreed that LS185 should make the best of what they have got (which remains very high quality, albeit inflexible). The parties will review again at the end of 2017 – if there is a viable business case at this stage to invest upfront to adjust the furniture, to reap long term income, then that will be considered.
- 4.7. **Operation of the wrap and screen** – In principle agreement, borne out in practice, that LS185 will operate and maintain the digital screen and wrap. s.43 [REDACTED] with the balance treated by LS185 as event costs (and therefore netted off the income the screen will generate).
- 4.8. **Procurement of stadium upgrades (e.g. “spend to save” items)** – LS185 have procured c£1.8m of stadium upgrades on behalf of E20. E20 has driven a hard bargain in resisting repeated LS185’s claims for the payment of management fees to undertake the work.
- 4.9. **Resourcing** – E20 has pressed LS185 to put in place a team capable of delivering their contractual requirements, notably extra resource needed for the commercial team. It remains very frustrating that LS185 did not staff up their commercial team sooner, and they are now playing catch up. But their strong Head of Commercial has now been joined by a deputy, with two further team members joining imminently.
- 4.10. **Stewarding business model** – LS185 has proposed to use several different stewarding suppliers rather than just OCS, and to appoint an in-house LS185 stewarding manager. E20 has agreed that provided LS185 can demonstrate this is a cheaper and better quality solution, it clearly should be implemented, and the salary of the stewarding manager may be treated as an event cost.
- 4.11. **Ongoing contractual matters**
- 4.12. s.43 [REDACTED]
- 4.13. **Seat move responsibility** – as covered in a separate Board paper, LS185 has decided not to take on responsibility for moving the seats.
- 4.14. **Stadium handover** – as covered in a separate Board paper, there are substantial issues relating to the stadium handover.
- 4.15. **OCS TUPE** – LS185 have argued that information supplied by E20 during VINCI’s bid, in relation to the TUPE costs of OCS security staff, has proved incorrect and represents a claim on E20 worth c.£6k/month. LS185 have yet to properly evidence the discrepancy, so pending further information, at this stage it is not accepted.
- 4.16. **Draught beer** – Heineken funded the capital cost of installing draught beer into the stadium General Admission areas as part of its secondary sponsorship agreement with LS185. However, LS185 has reported a sum of £105,200 for

associated costs that it is seeking to recover from E20. E20 is awaiting more detailed information and explanation from LS185 in order to assess further.

4.17. **Disputed costs and contractual matters for Board decision**

4.18. The original dispute between LS185 and E20 saw the following matters agreed in principle:

4.18.1. E20 would fund £2.859m, including a £1.509m contribution to the power and catering capital upgrades, and £1.35m to secure LS185's agreement to other matters (listed below).

4.18.2. LS185 would fund £500k towards the power and catering capital upgrades. They also agreed to the following:

4.18.2.1. To absorb cost pressures from grow lights and other grounds maintenance from their FF&E budget (reported impact for LS185 of £1.22m).

4.18.2.2. To drop an earlier £200k claim by Delaware North for additional costs incurred (never substantiated).

4.18.2.3. E20 would not complete stadium upgrades to help facilitate MLB events. s.43

4.18.2.4. To drop its request for £275k for portable catering equipment.

4.18.2.5. To drop its request for an increased fixed costs payment (£1.25m over 5 years) to fund the recruitment of additional staff.

4.18.2.6. s.43

4.18.3. s.43

4.19. This was summarised as follows in the 26 May 2016 E20 Board paper following the end of the initial mediation period (some clarifications made):

Proposal to 26 May 2016 E20 Board	E20	LS185	Notes
s.43			
Power capital upgrade	£1,509,000	£500,000	E20 stated it had delivered the required specification, and upgrades were the Operator's responsibility. LS185 stated that without the upgrades it could not deliver the comparable service it was required to under the Operator Agreement and Concession Agreement.
Grow Lights	£1,350,000 to secure agreement across these items	£1,000,000	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		£220,000	LS185 from FF&E budget
Delaware North Claim		£200,000	Note claim never received and not verified
MLB		s.43	
Catering Portable Equipment		0	Only proceed if WHU pays for the capital from DN, or DN decide to deliver
E20 Contribution to LS185 Fixed Staff Costs		0	£250k x 5 years proposed by LS185. Not acceptable to E20.
s.43		0	s.43
TOTAL	s.43		

4.20. The above arrangements were agreed in principle at the 26 May 2016 E20 Board, **s.43**

4.21. The E20 Board has three options:

4.21.1. **s.43**

4.21.2. Do not agree disputed costs – i.e. continue to park it until Naming Rights is agreed, and perhaps until E20 has reasserted its long-term commitment to retaining LS185 in the current form too. However, disputed costs continues to cloud LS185-E20 relations. LS185 have stated that they will not take on

responsibility for the seat moves, or enter into the wifi contract with Vodafone (see below), with it still unresolved.

4.21.3. Make a counter proposal to LS185, which would represent a compromise on the two earlier options.

4.22. This paper recommends that E20 makes a counter proposal. The terms would be as follows:

4.22.1. Instead of a £1.35m upfront payment, this would be reduced to a maximum of £750k. This would be paid upfront and conclude agreement s.43 [REDACTED] The total upfront cost to E20 would therefore be up to £2.259m (£600k lower than previously).

4.22.2. s.43 [REDACTED]

4.23. The counter proposal is potentially worth the same (but not more) than the current terms, but it reduces E20's upfront liability, striking the balance between settling matters quickly but not prematurely. E20 would seek to agree a lower upfront payment in negotiation, with £750k the maximum. This paper recommends that E20 reconvenes the negotiating team that previously met with LS185 on disputed costs, with a view to settling the matters within these terms.

5. WIFI CONTRACT

5.1. s.43 [REDACTED]

5.2. s.43 [REDACTED]

Reason	Cost increase (£)	Notes
S.43		

5.3

S.43

5.4 **S.43**

5.5

S.43

5.6

S.43

5.7 **S.43**

5.8

S.43

Annex 1: Progress by LS185 on items relating to Stadium Review

	E20 request in letter of 26 October 2016	LS185 Response	E20 View on Progress (RAG) January 2017
1	Disputed Costs resolved	In principle agreement on most issues – see disputed costs section below.	Can be agreed on terms previously approved by the E20 Board, but timing issue relating to naming rights (see disputed costs section below). Provided E20 is sticking with LS185/VINCI, there is a need to finalise at January board to clear away. LS185 seeking to link to other issues; E20 resisting.
2	LS185 staffing of Commercial team and other posts	Commercial team has been boosted and will soon be a team of four.	Encouraging recruitment, but as yet too soon to see impact – remains to be seen if LS185 can now meet their commercial and community requirements. Little evidence of VINCI providing support. Complaints from LLDC, LBBN and WHU on the cost of stadium hires for range of events.
3	“Can Do” culture	Agree they will do so	Improved and evidenced in some work, but contradicted by rejecting involvement in seating procurement.
4	Implementing Business Recovery Plan	Agreed to implement	[£0.6m worsening of the 2016/17 position, compared to target of £0.5m improvement] identified in October 2016. Targeted improvement has been dwarfed by escalating matchday costs (stewarding and policing) in response to crowd disturbances. Limited tangible evidence of progress in other areas (eg. securing secondary sponsorship).
5	Bottom up review of Stadium Crowd Management	Agreed, and pro-actively engaged	LS185 see as top priority and dedicating time and resource. Main changes instigated by E20 (Chris Allison).
6	Taking on overall responsibility for the stadium, including the seating system	Not moved forward, adopting a protective contract led position on seating and the stadium hand over	LS185 has written (24 Jan 2016) to say they will not take on the seats- see other Board item. Raises further questions over the VINCI role in LS185.
7	LS185 and E20 Align with stadium users (WHU, UKA etc.)	Agreed	Good alignment between E20 and LS185 on West Ham issues. LS185 have remained neutral on East Stand issues with UKA.
8	Review and streamline reporting requirements	Agreed and ongoing	LS185 have not proposed alternative reporting arrangements, so existing arrangements still in place. Quality of reporting remains poor (e.g. January 2017 Finance Review – as annexed to quarterly finance Board paper), although significant work is going into their business plan.
9	Provide E20 with LS185 Business plan in early	Agreed and ongoing	Work underway on LS185 business plan, due to be presented to end Feb E20 Board. This will set

	New Year		<p>out LS185's financial forecasts for the coming years. In the meantime, it is concerning that as at end January 2017.</p> <p>However, LS185 could not provide even a ballpark forecast of net commercial revenues in 2017.</p>
10	Opportunity to sell Naming rights on E20s behalf	Want to sell naming rights. Proposal belatedly made.	<p>Naming rights pitch in October was poor, although subsequent proposal better. Co-operating with Vodafone discussions</p> <p>Made proposal to take on Naming Rights if the Vodafone option falls away.</p>

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S.43

Subject: Cricket and Baseball Update

Meeting date: 31.1.17

Agenda Item: 7

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 potential for Major League Baseball (MLB) and cricket in the stadium.

1.2. s.43 [REDACTED]

2. RECOMMENDATIONS

2.1. The Board are asked to:

2.1.1. **CONFIRM** that any preference between cricket and MLB (or any other activity) will be based on the best financial return for the stadium. s.43 [REDACTED]

2.1.2. **NOTE** the update, including that 2019 Cricket World Cup venue deadlines mean a decision will need to be made by February / March 2017.

2.1.3. **NOTE** that the process E20 will follow is:

2.1.3.a. E20 will make clear to LS185 that E20 must be consulted on the final decision.

2.1.3.b. LS185 should the progress all options until they are in a position to present their recommendation to E20 (possibly in their business plan - end Feb 2017).

2.1.3.c. E20 will then weigh up the seat move cost, and political interest, and give clear direction to LS185.

2.1.4. s.43 [REDACTED]

3. CRICKET

3.1. The stadium has consistently referred to the potential to host cricket matches in the stadium. In 2019 England hosts the Cricket World Cup, the pinnacle of a one day international cricket.

3.2. There are proposals to stage at least 2 games in the tournament at the London Stadium. These would be expected to be selling out to 60,000 spectators. The games would be in early June 2019.

3.3. A commercial deal has not been agreed, with the ECB due to respond to LS185 by the end of January 2017 to LS185 proposals. s.43

A verbal update will be given to the Board if this response has been received.

3.4. Technically it is understood that:

3.4.1. A pitch to ICB category B (and possibly A) can fit into the stadium with the East Stand forward and 7 rows taken off

3.4.2. An outfield and wicket could be laid after the last WHU fixture on the 19th May 2019 and the first cricket date on the 7th June 2019. LS185 are confident that this can be delivered in parallel to the seat moves

3.4.3. s.43

3.5. A contractual commitment may be required in by March 2017 to allow a sufficient time for drop-in wicket preparation to commence. .

3.6. A further factor is whether cricket is a "one off" in 2019 or a recurrent deal. The Cricket World Cup would be a one off event. However, having been granted Category "B" status the Stadium would be able to bid to stage future One Day International and Twenty20 International matches. LS185 also believe the stadium could request 'Category A' status to enable us to bid for Ashes and England-India Test Matches. It must be noted that the venue would have to compete with the traditional (but significantly smaller) London venues of the Oval and Lords.

3.7. Therefore it is possible the 2019 may open up the opportunity for further cricket matches. However, when comparing a multi-year deal for MLB, LS185 will assume there is only one year of cricket secured, and the ability to sell games out in future is far less certain.

4. MAJOR LEAGUE BASEBALL

4.1. s.43

4.2. s.43

4.3. s.43

4.3.1. s.43

4.3.2. s.43

- 4.3.3. s.43 [REDACTED]
- 4.3.4. s.43 [REDACTED]
- 4.3.5. s.43 [REDACTED]
- 4.3.6. s.43 [REDACTED]

5. CAN BOTH SPORTS BE HOSTED IN THE STADIUM?

- 5.1. The viability of hosting cricket and MLB in the stadium in the same year has not been fully tested. Intuitively it would seem that there are synergies, as they both require flat grass outfields. Also cricket venues have been previously used for MLB games.
- 5.2. It is a reasonable assumption that hosting both Cricket and MLB in 2019, would rule out concerts for that year.
- 5.3. Further work is needed to establish:
 - 5.3.1. If a technical solution allows the sports to be played in quick succession
 - 5.3.2. If the dates for the events could be accommodated while also preserving commitments to football and athletics. At present both cricket and MLB are looking to play in early June 2019
- 5.4. s.43 [REDACTED]
- 5.5. We are yet to explore the feasibility of hosting both sports in future years. . Cricket matches are allocated to venues in four-year blocks and it is not uncommon for some Category 'B' grounds to host matches in alternate years. Established ICC Category 'A' grounds routinely host 6 days of international cricket per year.

6. COMPARISON OF CRICKET AND BASEBALL

- 6.1. s.43 [REDACTED]
- 6.2. s.43 [REDACTED]
- 6.3. s.43 [REDACTED]

s.43

7. TIMELINE AND NEXT STEPS

- 7.1. s.43 [REDACTED] However, there are critical unknown elements of a deal with ECB, as well as unknown logistics.
- 7.2. It is recommended that further information and technical work is obtained by LS185 to allow better comparison.
- 7.3. However, it should be made clear to MLB that:
- 7.3.1. 2019 Cricket is a real proposal for the stadium
 - 7.3.2. An ability to combine overlay with cricket would be a major advantage
 - 7.3.3. It may be that the first year MLB can be played in 2020, unless a technical solution allows cricket and MLB to be played in the June 2019 window
 - 7.3.4. Regardless of which year MLB is proposed, they must present a case that:
 - 7.3.4.a. Is able to compete with other proposed uses
 - 7.3.4.b. Minimises transition times

7.3.4.c. Does not move the East Stand, and ideally is played with the north and south stand seats in either football or athletics mode

7.3.4.d. Has capital funding to pay for adaptations to the stadium (c.£0.75m)

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Subject: Naming Rights Update

Meeting date: 31.1.17

Agenda Item: 8

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 with an update on naming rights at the time of the report being issued. A verbal update will be given on matters in the period between issue and the board meeting.

2. RECOMMENDATIONS

S.43

3. VODAFONE

3.1.

3.2.

3.3.

S.43

3.4. s.43

4. STADIUM WIFI

s.43

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Item: 9
Subject: Stadium Branding / **s.43**
Meeting date: 31 January 2017
Report to: E20 Stadium LLP Board
Report of: Ian Bright

1. SUMMARY

s.43

S.43

S.43

S.43

S.43

S.43

s.43

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Subject: Overview of Relationship Issues with West Ham United

Meeting date: 31.1.17

Agenda Item: 10

Report to: E20 Stadium LLP Board

Report of: Alan Skewis, Director of E20 Stadium LLP

1. SUMMARY

- 1.1. This report sets out the background to a number of issues that remain unresolved with West Ham United. It also includes information on the challenging nature of the WHU relationship, and their similarly problematic relationship with LS185.
- 1.2. The report is similar to that provided to the board for the 17th January 2017 call, with updated text where appropriate. The main developments since the 17th January are:
 - 1.2.1. WHU aware of the East Stand, with formal more detailed letter following on once Karren agrees they will keep confidential
 - 1.2.2. Made WHU aware that we are not currently triggering expert determination, but they are free to do so
 - 1.2.3. s.43 [REDACTED]
 - 1.2.4. Made good progress on Wifi update to the club
 - 1.2.5. E20 have noted their comments relating to LS185 (they remain concerned on commercial issues and additional capacity)
 - 1.2.6. Progressed some separate issues on the London 2017 arrangements and draught beer capacity that they have raised
- 1.3. West Ham United are scheduled to attend for a half hour slot to discuss issues with the Board. It is recommended that rather than meet the full board and staff, a smaller contingent of the E20 Chair (Nicky Dunn), Keith Edelman (LLDC), and Katharine Deas (NLI) meet WHU with Alan Skewis, David Goldstone and Kim Bromley Derry in attendance.

2. RECOMMENDATIONS

- 2.1. The Board are asked to confirm:

2.1.1. s.43 [REDACTED]

2.1.2. s.43 [REDACTED]

2.1.2.a. s.43 [REDACTED]

2.1.2.b. s.43

2.1.2.c. s.43

3. BACKGROUND

- 3.1. The WHU use of the stadium is governed by their Concession Agreement with E20. This document has proved difficult to implement in practice, with lots of areas of dispute and different interpretation.
- 3.2. The base rental fee that WHU pays is also inadequate to cover the costs of operating their events. s.43
- 3.3. s.43
- 3.4. s.43

4. OUTSTANDING ISSUES

- 4.1. A number of issues are currently outstanding with WHU. The ones listed by WHU are:
- 4.1.1. Increasing the capacity of the stadium to 60,000, then 66,000
- 4.1.2. s.43
- 4.1.3. Date the stadium will be converted into Football mode for the 2017 season
- 4.1.4. s.43
- 4.1.5. Customer Experience: Timeline for Wi-Fi installation, availability of draught beer
- 4.2. In addition to these five issues E20 has to conclude the Event / Policing Costs, and business rates and utilities bills that WHU pay for their areas of the stadium.
- 4.3. The sections below summarise the issues and proposed approach with WHU at upcoming meetings. The attached table provides an overview of the potential outcome of expert determination on the issues.

5. INCREASING THE CAPACITY OF THE STADIUM TO 60,000

- 5.1. The immediate issue is the appetite and timing of a 60,000 capacity for WHU matches.
- 5.2. The exchanges with WHU have focused around 3 issues:
- 5.2.1. s.43
- 5.2.2. Commercial – At the Board call on the 17th January the Board's approach to WHU was discussed. Based on that call E20 have not triggered expert determination, and to date WHU have not either. The process would last 3 months, so effectively take to the end of the football season

5.2.3. Community tickets: LBN are keen to secure community tickets soon, and delaying the extension of capacity and expert determination is harmful to this

5.3. s.43

5.4.

s.43

5.5. s.43

s.43

6.

6.1.

s.43

7. **DATE THE STADIUM WILL BE CONVERTED INTO FOOTBALL MODE FOR THE 2017 SEASON**

7.1. The Board decision is being communicated to West Ham United, and the process for settling damages is beginning. We should expect a robust legal position to be adopted.

8. LS185

8.1. The Vice Chair of West Ham United has repeatedly expressed in writing that she feels LS185 are not a competent operator of the stadium. It has been clarified that issues focus on the historic (not present) operational performance; and in particular a lack of commercial acumen. The latter of these is dealt with in the separate LS185 review paper.

9. WIFI INSTALLATION

9.1. We have no contractual obligation to provide Wi-Fi in the stadium. The strength of our case is underlined by the fact that WHU have not pursued this with us legally.

9.2. However, we have agreed a Wi-Fi programme with LS185 that means Wi-Fi will be fully installed for next season, with some improvements made as the programme is deployed between now and May 2017.

9.3. Although unrelated to WHU obligations, E20 staff recommends LS185 are cleared to proceed with the WiFi order.

9.4. s.43

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10. EVENT / POLICING COSTS

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11. BUSINESS RATES AND UTILITIES BILLS

11.1. Although these are significant unresolved issues between E20 and West Ham, it is not recommended for discussion at the Board. The Concession Agreement underleases require West Ham to pay the business rates and utilities bills for their lease areas (club shop, office space, storage area, Boardroom, Player's lounge). E20 has secured agreement from West Ham that it will pay its contribution to rates from July 2016. E20 and West Ham are working through a process to determine a fair contribution to these rates. E20 can then recoup West Ham's owed contribution. Whilst this may require escalation in due course, it would be premature to raise yet.

11.2. Similarly, it is contractually clear that West Ham must pay the utilities bills for their lease areas, and E20 has notified West Ham of this. However, the metering system

does not easily facilitate separate bills, so and LS185 are currently working through a proposed contribution to put to West Ham for payment.

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