

**Subject:** Transformation External Assurance Review - December 2012

**Agenda item:** Public item 9

**Report No:** 6

**Meeting date:** 19 February 2013

**Report to:** Board

**Report of:** Colin Naish, Executive Director of Infrastructure

## **FOR INFORMATION**

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**This report will be considered in public**

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### **1. SUMMARY**

- 1.1 This paper sets out the findings, recommendations and actions arising from an External Assurance Review on Transformation delivery confidence undertaken in December 2012 by members of LLDC's Independent External Advisory Group.
- 1.2 This paper is submitted to the Board with the support of the Investment Committee, following its meeting on 29 January 2013. The Committee considered a report on this matter and recommended that the assurance of the transformation programme could be undertaken internally going forward.
- 1.3 A paper which contains exempt information relating to this item by virtue of part 1, paragraph 3 of Schedule 12a of the Local Government Act 1972 is included later on the agenda.

### **2. RECOMMENDATIONS**

- 2.1 The Board members are invited to **NOTE** the principal findings and recommendations of an External Assurance Review on Transformation Delivery Confidence undertaken in December 2012 by members of LLDC's IEAG.
- 2.2 The Board members are invited to **NOTE** the Investment Committee's recommendation that no further External Assurance Reviews will be undertaken by the group.

### **3. TIMING**

- 3.1. There are no pressing timing issues related to this decision.

### **4. BACKGROUND**

- 4.1. At the previous Chairman's request, members of TfL's Independent Investment Programme Advisory Group (IIPAG) undertook an independent external review of the Transformation Project in August 2012. Project team members and

stakeholders, encompassing LLDC, GOE, ODA, LOCOG, LVRPA, PMP and Tier 1 Contractors, were interviewed by three members of IIPAG over a three day review period and a report produced and submitted to Investment Committee and Board in September 2012.

- 4.2. The Board received the report and approved that members of IIPAG were to be retained by LLDC to provide an independent and objective view to the Board on Transformation delivery confidence throughout the remaining Transformation programme duration on a quarterly basis. Accordingly, appointments were made and LLDC's Independent External Advisory Group was formed.
- 4.3. The second External Assurance Review was due to be undertaken in November 2012. However, it was agreed with the Independent External Advisory Group's Chairman that the review would be of greater value if it were deferred by one month to December 2012 in order that any impact on Transformation delivery confidence of the key 22nd October - 23rd November 2012 period of common domain and venue handbacks from LOCOG to LLDC could be addressed.

## **5. EXTERNAL ASSURANCE REVIEW FINDINGS AND RECOMMENDATIONS**

- 5.1. The principal findings of the second External Assurance Review undertaken during December 2012 are:
  - The programme continues to be well managed and that robust procedures are in place for monitoring and control;
  - Transformation continues to be on schedule with the exception of the Stadium; and
  - There is concern that the number of changes is increasing and all involved must make every effort to minimise change if the overall cost budget is not to be exceeded.
- 5.2. The Review made a number of recommendations which related to three broad areas set out below. The progress made in addressing these recommendations by the executive is also summarised:
  - Clarifying the nature and scale of summer 2013 events and the impact of these changes on the transformation construction programme in terms of time, cost and resources.

Actions include: An opening events operator has been appointed and the schedule of events is being finalised. The internal Change Board assesses the cost impact of any changes.
  - Continuing to ensure that the anticipated final cost (AFC) is monitored and increased as appropriate (within budgeted limitations) to fund additional works and enhancing the processes for evaluating changes.

Actions include: The AFC is reviewed during the transformation reporting cycle and additional resource is now focused on evaluating and closing out compensation events.
  - Communicating the vision for the development of the Queen Elizabeth Olympic Park across the LLDC and ensuring the organisation and management is flexible to respond and adapt to change.

Actions include: staff briefing sessions and organisational reshaping to ensure the organisation remains fit for purpose.

## **6. FINANCIAL IMPLICATIONS**

- 6.1. Funding for the baseline ODA Transformation scheme was provided from the public sector funding package as detailed in the Transformation Agreement and Full Business Case approved by the Olympics Project Review Group. Funding for LLDC works being delivered in parallel with Transformation is funded by LLDC CSR funds and incorporated into the baseline scope through Change Board approval.

## **7. LEGAL IMPLICATIONS**

- 7.1. The legal team has been advising on a range of issues in relation to the matters raised in this report.

## **8. PRIORITY THEMES**

- 8.1. The LLDC is continuing the priority themes set by its predecessor the Olympic Park Legacy Company. These are: Promoting convergence and community participation; Championing equalities and inclusion; Ensuring high quality design; Ensuring environmental sustainability.
- 8.2. LLDC Priority Themes are embedded in the Project Brief and design for all LLDC funded works being delivered by Transformation. Where LLDC Priority Theme requirements are in excess of those embedded in the ODA Baseline Transformation scope, the requirements have been uplifted to meet LLDC requirements through Change Board approval.

## **9. APPENDICES**

- 9.1. Appendix 1 – External Assurance Report dated 18 December 2012 (with exempt information redacted)

### **List of Background Papers**

- Papers for the meeting of the Investment Committee on 29 January 2013

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# Independent External Advisory Group

## LONDON LEGACY DEVELOPMENT CORPORATION

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**SUBJECT:** INDEPENDENT EXTERNAL ADVISORY GROUP  
REVIEW OF THE LONDON LEGACY DEVELOPMENT CORPORATION'S  
TRANSFORMATION PROGRAMME

**DATE:** 18 December 2012

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### 1 PURPOSE AND DECISION REQUIRED

- 1.1 This is the second review of the London Legacy Development Corporation's (LLDC's) Transformation Programme to transform the Olympic Park into its future legacy use as the future Queen Elizabeth Olympic Park (QEOP).
- 1.2 This paper sets out the advice from the Independent External Advisory Group (IEAG) in relation to the current status of the delivery programme following the recent hand back of the park from the London Organising Committee of the Olympic and Paralympic Games (LOCOG) in October/November 2012.


### 2 THE ASSURANCE PROCESS

- 2.1 The review by the IEAG was based on examination of a limited number of documents and from interviews with key programme team members and senior staff from two of the contractors currently involved in the transformation works. Those interviewed are listed in Appendix 1.
- 2.2 The impressions gained which form this paper are a snapshot of the delivery process, on the basis of confidential, non-attributable comments from interviewees and on examination of the documents provided.
- 2.3 The interviews for the review took place over four days on 3, 5, 6 and 11 December 2012. The review team also toured the site which enhanced the team's understanding of current progress.

### 3 FINDINGS

- 3.1 The impression gained by IEAG was that the programme continues to be well managed and that robust procedures are in place for monitoring and control. The recent hand back of the park and its facilities from LOCOG in November appears to have gone well despite some earlier concerns. Both the timing of hand back and the condition of the facilities were generally better than had been feared and this has helped to add a greater degree of certainty to the programme.


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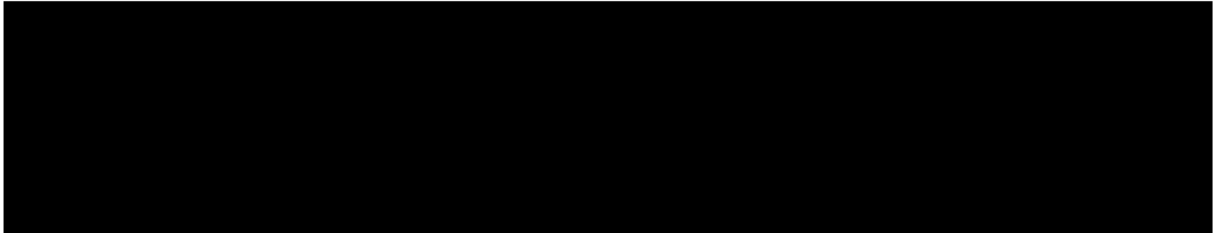
- 3.2 What remains of concern to all involved in the delivery process is the large number of changes, which, although well monitored, are steadily increasing the cost of the transformation. It is clear that the LLDC Board is developing their vision for the future use and development of their lands and this together with more minor changes, will inevitably impact on the Transformation Programme.
- 3.3 IEAG appreciates that now that the euphoria of the Olympics has receded, the challenge of transformation has been taken up but there has been a recent realisation of greater opportunities and wider “development” for this prestigious site. The Board will may well respond positively to new and potentially attractive proposals that are promoted, particularly those that may generate additional local employment. As a result, further change is perhaps inevitable. For example, the north of the area will focus on housing whilst the south is more likely to be the location for jobs and entrepreneurial investment. Indeed, during the time the review was taking place, the LLDC Board agreed that West Ham United Football Club should be named as the first ranked bidder for the stadium, subject to further commercial negotiations. This decision was made public soon after the Board meeting and is a significant step to clarifying the way forward for the stadium.
- 3.4 Programme
- 3.4.1 The review team notes that the transformation continues to be on schedule with the exception of the stadium. With the recent handover of the park, LLDC is now the “controlling mind” for the park, responsible fully for all security aspects. However, the programme for the North Park Hub is still very tight with opening of the North Park planned for July 2013.
- 3.4.2 
- 3.4.3 Although the transformation programme is proceeding well, there is constant concern that changes are being and will continue to be initiated at Board level or higher, which will need to be accommodated within the programme. The programme team will advise on the consequences for time, cost and public expectations but will need timely decisions in order to plan the work and avoid unnecessary cost.
- 3.4.4 A number of issues require resolution very quickly (within weeks) if the first target date for North Park opening of July 2013 is to be achieved. These revolve round the style and form of both the opening ceremony and the full nature and extent of this first phase of the park. Once these are determined, a careful publicity campaign will be needed to fully inform the public expectation for this first phase of the as well as the plans for the progression of the rest of the transformation programme.

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3.4.5

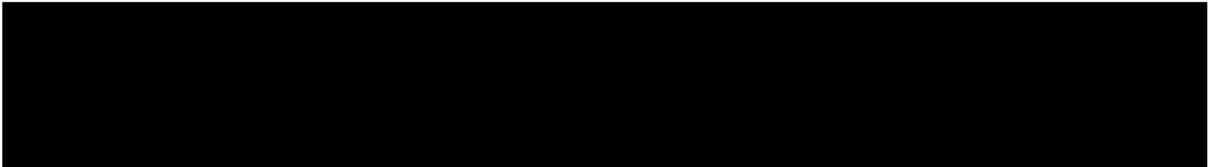


3.4.6 The current aspiration is that bids for a stadium operator will be invited early in 2013 with a view to getting the operator on board around September 2013. 



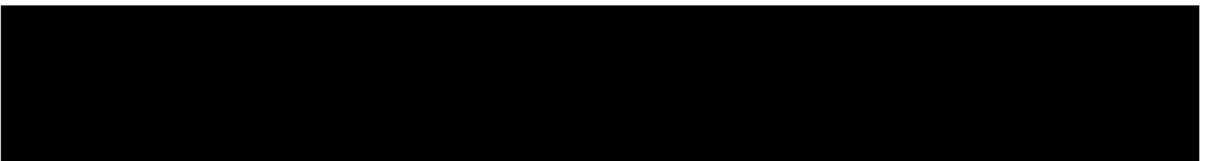
3.5 Costs


3.5.1

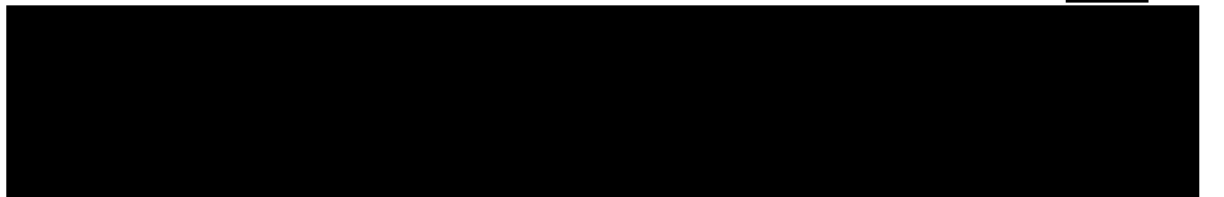


3.5.2 The review team was impressed at the approach taken to estimating “contingency” by a very detailed quantitative risk analysis (QRA). The graphical depictions of the drawdown curves for contingency, which are monitored monthly, are helpful to management and recent movements indicate that as work progresses, the contingency is being reduced appropriately.

3.5.3

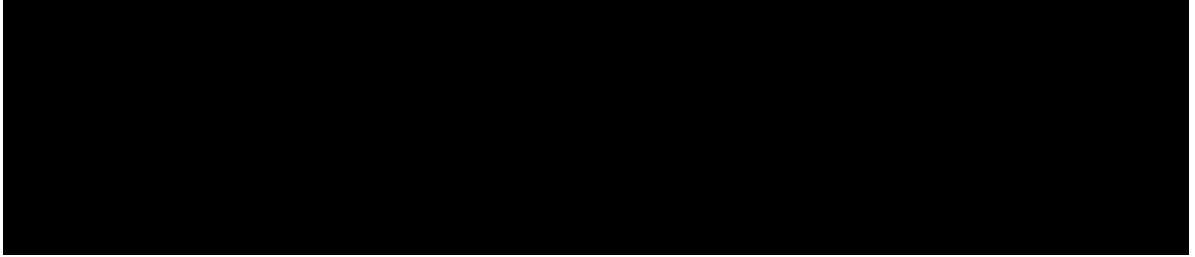


3.5.4 From examination of the notes of the Change Board meetings it appears around 30-40 changes are considered by the Board monthly. It is noted that not all these involve additional costs; many often simply request a change of budgetary allocation. However, there is concern that the number of changes is increasing and all involved must make every effort to minimise change if the overall cost budget is not to be exceeded. 



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3.5.5



### 3.6 Aims and Scope

3.6.1 At IEAG's last review there were a number of pressing issues many of which have now been resolved. Those issues still to be resolved are now becoming urgent and include:

- conclusion of negotiations with the first-ranked stadium bidder;
- fully defined user requirements for the stadium;
- full extent and nature of the park for opening in July 2013; and
- the precise details of the opening ceremony for July 2013.

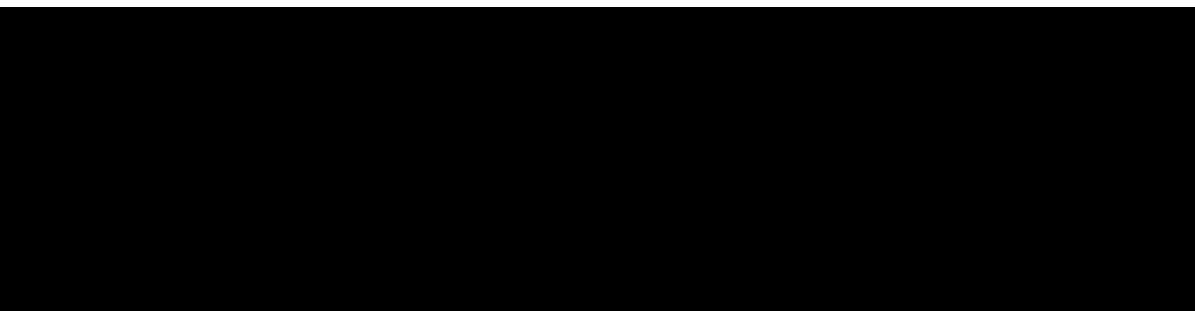
### 3.7 Current Project Governance

3.7.1 Since the last Review there is a new Chairman, Deputy Chair and Chief Executive who are developing their vision for the LDDC lands. They are also working to build a more cohesive, integrated leadership team as described in the first IEAG report. This has added stability to the governance of the programme and is a refreshing and positive step.

### 3.8 Skills and Capabilities

3.8.1 As noted at the last review the management team appears very competent with many having worked together on the build-up to the Games and benefitting greatly from their experiences during construction of the facilities. However, given the possibility of "different and innovative" developments being considered by the Board as the potential for the Park and the LLDC land is appreciated by the market, it may be that some new skills will be need to be added to ensure the best advice and evaluation.

3.8.2



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### 3.9 Management Processes

3.9.1 As mentioned at the first IEAG review, the processes and procedures for monitoring and managing the programme are derived from those used by the ODA on the Games construction. They are excellent, comprehensive and have the benefit of being proven in use and well understood by the project participants including the Tier 1 Contractors.

### 3.10 Dependencies

3.10.1 The project has commenced the construction phase of the transformation in earnest. It will soon be followed by a "handover to operator" phase. Greenwich Leisure and others will test the Programme Team's assumptions as to the reasonable condition of the facilities at handover. Successful completion is dependent upon a smooth process and agreement with the operators. The planning effort that went into the handover from LOCOG may need to be replicated in this phase.

## 4 RECOMMENDATIONS

IEAG recommend that the Programme should:

- i) resolve as soon as possible the nature and scale of events planned for the opening of the North Park in July 2013 and in the following early phases of the Park's development;
- ii) determine the impact of these events on the current transformation construction programme in physical, cost and timing terms;
- iii) focus on completion of the transformation to time but continue to ensure that the AFC is increased as appropriate (within budgeted limitations) to fund additional works;
- iv) continue the new Executive's initiatives to harmonise the leadership team to respond to the demands of the developing Corporation;
- v) strengthen the PMP's Quantity Surveying resources to resolve Compensation Events (particularly any backlog) which should ensure that the AFC is robust; and
- vi) share the Board's Vision for the development of the LDDC lands and the role of the Olympic Park within it and be prepared to respond in a flexible manner for extraordinary proposals if and when they occur.

## 5 CONTACT

5.1 Contact: 

Email: 



## Independent External Advisory Group

### APPENDIX 1

1.		LLDC Deputy Chair
2.		LLDC Chief Executive
3.		LLDC Executive Director of Infrastructure
4.		Mace PMP Project Director
5.		LLDC Technical Assurance
6.		BAM Project Director
7.		LLDC Project Sponsor, Venues (North)
8.		LLDC Executive Director of Real Estate
9.		Mace PMP Project Manager
10.		Mace PMP Risk Manager
11.		Mace PMP Schedules Lead
12.		LLDC Project Sponsor, Venues (South)
13.		LLDC Executive Director of Park Operations & Venues
14.		LLDC Executive Director of Finance and Corporate Services
15.		LLDC Procurement Leader
16.		LLDC Programme Assurance
17.		LLDC Project Sponsor, Stadium
18.		LLDC General Counsel
19.		Balfour Beatty Project Director
20.		Mace PMP Commercial Lead