



Subject: Exempt Appendix to the Key Projects Commercial Report
Meeting date: 18 June 2019
Report to: Investment Committee
Report of: Gerry Murphy, Deputy Chief Executive

The attached Appendix to the key projects commercial report will be considered in private

Subject to the decision of the Committee under Item 16 on the agenda for this meeting, this report is exempt and is therefore not for publication to the public or press by virtue of Part 1, paragraph 3 of Schedule 12A of the Local Government Act 1972 in that it contains information relating to the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 appendix presents the commercial report on key projects that contains exempt information.

2. RECOMMENDATION

- 2.1. The Committed is asked to note the dashboard.

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Project Outline - Venue Operations for LAC and Copper Box	Contractor - Greenwich Leisure Ltd	SRO: Mark Camley Contract Manager: Ed Fane	Contract Value: Net neutral after income / expenditure calculation with GLL (excluding EFM re-charge and Utilities)	Term: April 2013 to March 2024	Contract Description: Venue operator contractor for managing day to day operations and events at London Aquatics Centre and Copper Box Arena
GLL	RAG	Description			
Delivery		<p>Attendance figures in the two venues remain strong: London Aquatics Centre (LAC) Full Year: - 1040k (2017/18:1023k) Copper Box Arena (CBA) Full Year: 459k (2017/18 426k)</p> <p>PID approved by EMT to enable progress on developing the gym in the upper welcome zone at the LAC. In venue advertising contract with Sports Revolution signed. First income expected Q2 financial year.</p>			
Finance		<p>The financial position for the YE 2018/19 as reported by GLL is:</p> <p>London Aquatics Centre YE Operating Income of £4,631k against a target of £4,377k Expenditure £3,040k Net income £1,591k Copper Box Arena YE Operating Income of £1,623k against a target of £1,692k Expenditure £1,467k Net income £156k</p> <p>The figures above are total venue performance from GLL. LLDC receive a 35% surplus share of the figures reported by GLL. The LLDC management accounts position reflect an LLDC surplus share of £463k for YE 2018/19.</p> <p>The reported figures from GLL do not take into account costs that LLDC incurs outside the contract, for example, EFM £1,414k and £880k respectively for LAC and CBA. Once these are factored in, the venues made a loss of £2,095k in the full year.</p> <p>The Healthy Living Surplus Share reinvestment fund currently stands at a cumulative figure of c£1,200k - (including 2018/19 indicative calculations). Investment in the Upper Welcome Zone is progressing and options to invest in the premises are under review.</p>			
Relationship		The LLDC/GLL relationship remains good.			
Priority Themes		<p>Local employment from the 'host boroughs' has dropped 13% during the quarter but remains at the 70% target.</p> <p>Local apprenticeships have also fallen by 13% and are currently at 18% against a target of 34%. Of the total workforce 38% are from BAME groups against a target of 55%, 45% are women against a target of 50% and 3% are disabled against a 3% target.</p>			

Project Outline - Estate and Facilities Management contract	Contractor - Engie Ltd	SRO: Mark Camley Contract Manager: Heather McStay	Contract Value: £.43 Per Annum: Circa £.43 (Inc. reactive and risk provisions)	Term: 10 years to 2021	Contract Description: Provision of estates and facilities management services, and management of AMO.
EFM	RAG	Description			
Delivery		<p>Engie are working to reduce the backlog of reactive works. LLDC are reviewing the current outstanding works following concerns raised by GLL.</p> <p>£.43</p> <p>The routine Lifecycle Works have commenced in venues, and procurement of the project and closed protocol works is being progressed.</p> <p>Procurement of a minor works contractor has been resurrected and is in train.</p>			
Finance		<p>The original 2018/19 core contract budget for EFM was £7,325k. This was increased with approved funds from corporate contingency by £103k to take account of amendments to the contract for new works/assets since the beginning of the year – stadium bridges maintenance (£73k) and Hackney Wick station cleaning (£30k). Due to various services incorporated and removed throughout the year, the final outturn for the EFM contract was £7,335k.</p> <p>The original 2018/19 reactive maintenance budget was £300k; this has been increased with approved funds from corporate contingency to £349k to reflect new works/assets – remedial works to stadium bridges and kiosks (£42k) and Hackney Wick cleaning (£7k). POV reported a minimal underspend against this at year end. £93k was returned to contingency.</p>			
Relationship		Engie continue to meet contractual SLAs, however the relationship between Engie and GLL continues to be challenging. LLDC plan to review this and consider possible actions to improve the effectiveness of the relationship, and encourage collaboration.			
Priority Themes		<p>62% of the workforce are from BAME groups, which exceeds the target of ≥35%</p> <p>7% of the workforce are disabled, which exceeds the target of ≥5%</p> <p>69% of the workforce are Host Borough residents, which does not quite meet the target of ≥70%</p> <p>34% of the workforce are women, which does not quite meet the target of ≥35%</p>			

Project Outline - East Wick and Sweetwater		Developer - Joint Venture between Balfour Beatty and Places for People	SRO: Rosanna Lawes Contract Manager: Tony Westbrook / s.40	Project Value: Current projection of total sale receipts circa s.43, receipts to date £nil first receipts in 2020/21	Term: July 2015 to Dec 2027 Current Start on Site: late 2018	Contract Description (based on the tbc new DMA): s.43
Eastwick and Sweetwater	RAG	Description				
Delivery	Amber	<p>Site Infrastructure Works (SIW) - the overall programme is likely to be pushed out given complications concerning utilities, although the extent of this has not yet been formally agreed with the Developer. H16 bridge was opened on 2nd May, slightly behind programme with the land for H14 construction handed over early May.</p> <p>Phase 1 - main package of works commenced 31 January 2019 and on programme.</p> <p>s.43</p> <p>s.43</p> <p>Delays to SIW and concerns on later phases moves status to amber.</p>				
Finance	Amber	<p>As previously reported funding has been secured for Phase's 1-4 from Homes England.</p> <p>Updated financial modelling for Phases 2 and 3 is anticipated in May, however there is a risk regarding Phase 2 viability which moves the finance status to amber.</p> <p>Work is ongoing to agree the two commercial initiatives approved by the LLDC Board in July 2018 namely the 28 co-investment units to be owned by LLDC and LLDC's investment in plot 5.4 (The Marketing Suite). The cost of the latter is likely to be higher than anticipated (c£6m v £4m) in 2018, but is subject to agreement at an amount between LLDC and the JV's respective external valuers assessments.</p>				
Relationship	Green	No major issues reported				
Priority Themes	Green	Nothing to report at this stage				

Project Outline - Chobham Manor development		Developer - Joint Venture between Taylor Wimpey and London & Quadrant	SRO: Rosanna Lawes Contract Manager: s.43 s.40	Project Value: Current projection of total sale receipts capped at receipts to date £65.7m, £20.3m receipt in 2018/19	Term: Nov 2011 to December 2020.	Contract Description: Development Agreement - s.43
Chobham Manor	RAG	Description				
Delivery	Green	<p>Phase 1 fully complete.</p> <p>Phase 2 works - Block 2A completed end of 2018. Blocks 2B, C and D on programme for phased completion between March-June 2019.</p> <p>Phase 3 works - piling for Blocks 3A and 3E complete and frames going up. Substation lease completed which has unlocked progress. Target completion for Blocks 3A and 3E mid 2020, with the rest of Phase 3 by November 2021.</p> <p>Phase 4 updated programme required. Anticipated that an RMA application will be submitted in the next period for September 2020 start on site.</p>				
Finance	Green	<p>LLDC currently drafting the application to PPG to invest off site s106 contributions into the project to increase affordable units to 35%, de-risk the programme and avoid an international launch. State aid advice is being sought.</p> <p>LLDC continue to monitor marketing efforts by TW for Phase 2 to also help avoid the international launch. A sales update is awaited from TW.</p> <p>s.43</p> <p>Phase 2 capital receipts received in 2018/19 are £20.3m. The total 2019/20 outturn is now forecast at s.43.</p>				
Relationship	Amber	Estate management raised again by tenants in March liaison meeting. L&Q's response to letters is defensive and status considered amber.				
Priority Themes	Amber	<p>Apprentices 4.1% (target 5%) BAME 89% (target 40%) Female workers 8% (target 6%) Disability 1% (target 5%) Local labour 35% (target 40%)</p> <p>Good liason with LLDC to help local labour rates in last few months.</p>				

Project Outline - Here East		Tenant: iCity	SRO: Mark Camley	Contract Value: Net Rent Share estimated at s.43 /year from 2021/22 Car Parking: £339k in 2018/19; s.43 in future years FEC: £1.3m PA	Term: 200 year lease	Contract Description: iCity (Here East) have a long term lease. They have fitted out the building and currently letting out spaces to tenants. LLDC get a 10% share of net rental.
Here East	RAG	Description				
Delivery		<p>Following the Infinity buy out and subsequent relet of space to the V&A the scheme is currently 66% let. Letting oportunities still perceived as positive.</p> <p>POV and the Development teams are working together to issue the formal Practical Completion for the Gantry works under the AFL (and the theatre if required),</p>				
Finance		<p>s.43. This has no effect on the management of the building until Here East serve a notice on LLDC stating they are selling a major part of their interest at the building reaches a certain level of lettings.</p>				
Relationship		<p>Relationship with Hear East is good; monthly meetings in place.</p> <p>Development are working on other options for development of the MSCP which will take 2-3 months to bring together in order to aid discussions with Here East.</p>				
Priority Themes		Here East reported in September 2018: 44% local labour, 35% gender, 0% Disabled, 3.5% Apprentices, 18% Bame				

Project Outline - Design services for the Stratford Waterfront		Contractor: Allies & Morrison	SRO: Rosanna Lawes Contract Manager: Mace as LLDC's Employer's Agent	Current Value: £39.2m to end of Stage 6	Term: Stage 4 to May 2019	Contract Description: Full design services (architecture, landscape, structural, MEP and cost management)for the master plan and partner buildings on the Stratford Waterfront element of the Cultural and Education District.
A&M Design	RAG	Description				
Delivery		<p>RIBA Workstage 4 underway following approval by Partners of the RIBA Stage 3 submission on time in October 2018. BBC deliverables dates now re-programmed (and consequential adjustments made to the procurement programme) - BBC Stage 3 issued on 28 Feruary, Stage 4 deliverable 29 November 2019.</p> <p>RIBA Workstage 4,5 and 6 scope and price agreed and instruction to commence issued on time. s.43</p> <p>MEP design progress remains a concern; MACE have reviewed the draft MEP designs and there are concerns regarding completeness and over-engineering - MACE have fed back - V&A ITT delayed by one month.</p>				
Finance		<p>RIBA Workstages 1 to 3 delivered within budget approval of £19m.</p> <p>Prices agreed for the entire project through Workstages 1-6 (including changes to the BBC) for total of £39.2m (inclusive of Stage 1-3 cost of £19m). A drawdown from project contingency for all stages totalling £1.2m was approved.</p> <p>Fee for stages 1-6 is not subject to inflationary increases (ie fixed). s.43.</p>				
Relationship		<p>Strong considering challenges which have been overcome.</p> <p>Good day to day working relationship established with LLDC and partners.</p>				
Priority Themes		<p>Have made a £12k contribution to the 'Adopt a School' programme along with the LLDC consortium.</p> <p>Have delivered apprentice opportunities.</p> <p>Priority themes are addressed in the emerging designs and the procurement strategy and monitored throughout the Workstage's as part of contract deliverables (e.g. sustainability and access).</p>				

Project Outline - Consultant Appointment		Contractor: Mace	SRO: Colin Naish Contract Manager: Task order Dependent	Current Value: £32.3m of live task orders	Term: 3yr plus 2. Expires 6th April 2020	Contract Description: Programme, Project and Cost Management Services
Mace	RAG	Description				
Delivery	Green	<p><i>Task orders and year to date spend 2018/19 spend and 2017/18 full year actual:</i></p> <p><i>East Bank (1 TO): £4.036m (£1.6m)</i></p> <p><i>Park Operations and Venues (7 TO's): £241k (£200k)</i></p> <p><i>Development (8 TO's): £252K (£291k)</i></p> <p><i>Stadium Transformation/transition (1 TO's): £165k (£455k)</i></p> <p><i>FCCS (1 TO): £5k (£7k)</i></p> <p><i>UCL/IT (1 TO's) £9k (£0k)</i></p> <p><i>Total (19 TO's) £4.708m (£2.553m)</i></p>				
Finance	Yellow	<p><i>Incentive mechanism principle has been agreed with Mace and approved by Investment Committee (11 April 2018) and Board (22 May 2018)</i></p> <p><i>Form of Incentive Agreement and basis of calculation of incentive baseline has been agreed but contract not yet signed.</i></p> <p><i>Early warning notice issued in December in relation to package budgets, now resolved with Stage 3 budget updates.</i></p>				
Relationship	Green	<p><i>Good partnership working continues.</i></p>				
Priority Themes	Green	<p><i>Priority Themes objectives and targets being embedded into the CED construction package contract requirements.</i></p>				