

8TH Board Meeting: 26 October 2006

Sir Roy McNulty (Acting Chairman), Lorraine Baldry, Tony Ball, Sir Howard Bernstein, Barry Camfield, Neale Coleman, Christopher Garnett, Sir Peter Mason, Baroness Morgan, Kumar Muthalagappan, Sir Nicholas Serota, David Taylor

Sir Roy McNulty opened the meeting by welcoming Sir Peter Mason to his first meeting as a full Board Member.

APOLOGIES

Apologies were received from Stephen Duckworth

DECLARATIONS OF INTEREST

As an employee of the GLA, of which the LDA and TfL are separate functional bodies, Neale Coleman declared a personal interest. He would leave the room for the item on remediation and demolition contracts

MINUTES OF PREVIOUS MEETING & ACTIONS ARISING

The Board agreed the Minutes of the 7th Board meeting held on 28 September 2006

They reviewed the various actions arising and noted that a site visit had been arranged for the morning before the November Board Meeting. They also noted that, as Design Champion, Sir Nicholas had been briefed about the Stadium and would also be briefed about the design of the Olympic Village.

CHAIRMAN'S REPORT

Since the previous meeting Jack Lemley had resigned as Chairman of ODA. Sir Roy McNulty recorded the Board's gratitude to Jack Lemley for his service to ODA, particularly for his role in setting up the organisation. Sir Roy also thanked the Board personally for their support to him as Acting Chairman. He proposed to arrange a short meeting with each Member individually to discuss how the Board could work most effectively.

He also noted the help given by DCMS and that the Secretary of State had asked him to record her gratitude to the Members. She wished to meet the Board before Christmas to hear their views on the appointment of a new Chairman.

Sally Morgan joined the meeting

It was agreed that Board Meetings did not allow time to take a wider view and to review all the cross-cutting issues such as sustainability, the interface with LOCOG and with the local community, and the skills and diversity agendas. Sir Roy agreed to consider a proposal that Members should attend an 'awayday' early in 2007 when they could review the challenge presented by the Olympic programme.

CHIEF EXECUTIVE'S REPORT

The Chief Executive drew attention to a number of points:

The report of the IOC specialist visit had endorsed progress on the project and emphasised the importance of continuing to work closely with LOCOG as the body responsible for fulfilling the commitments given to the IOC. Detailed performance briefs for each of the venues must be agreed with LOCOG and endorsed by the national sporting bodies.

At the Select Committee questions to David Higgins and Paul Deighton had focused primarily on the budget. The budget had not yet been agreed, but ODA had to submit information to the GLA in November when the Authority's budgeting process began.

The public consultation exercise in Hackney had attracted substantial grassroots interest. People generally were enthusiastic and written comments showed a broad interest in matters from jobs to sporting opportunities. Board Members were keen to broaden communication with the public and the local community beyond the statutory consultations. Work on sustainability, equality and diversity was being developed and a paper on diversity would be presented to the Board in November.

It was expected that ZHA would be appointed as architects for the Aquatics Centre in the near future. The design would be developed over the next year and the Delivery Partner was currently preparing a report which would be fed back to ZHA.

The first task order to the Delivery Partner was being finalised. This would include a review of the costs. Their strategy for the whole Olympics project would be reported to the Board in January 2007.

Some early work on remediation would begin in November but the bulk of expenditure would occur later in the financial year in accordance with the original proposal.

Team McAlpine had been shortlisted as a single tenderer to deliver the Stadium. This would save 3-4 months on the critical path. The announcement of a consortium without a separate design competition, had attracted some adverse comment and the Board agreed that the quality of design must not be compromised. Members of the consortium had been responsible for some excellent stadium designs and the involvement of the Design Review Group would help to ensure that the architectural expertise within the consortium was fully engaged. The RIBA, as the professional body representing architects, should be brought into that discussion.

Community groups were very interested in the legacy use of the stadium. The Secretary of State had confirmed that the stadium capacity would be reduced from 80,000 to 25,000 after the Games and had restated the commitment to continuing athletics use, possibly alongside additional uses. A separate study on the legacy use would be reported to the Board at the end of the year. The consortium needed to be reassured that there would not be pressures for changes in scope.

Negotiations on the appointment of a consortium to build the Olympic Village were continuing. Discussions to clarify accountability with LCR and Westfield were in progress. Construction was programmed to take four years and the appointment must be made in time for work to start on site by late 2007.

Discussions were continuing with Newham Council about the relocation of the Travellers.

It had been agreed that the powerlines contract would be transferred to ODA at the end of October. Safety on site had improved and agreement had been reached with National Grid and EDF for the provision of the cables and removal of the overhead

lines. Arup's contract as project manager had been signed and a Supplemental Agreement reached with Murphy's. The programme had also been rebaselined to allow for fitting out tunnels as the work progressed in order to save time. Switch over was still programmed for June 2008 but this remained a high risk project.

Contracts for works at Stratford Regional Station needed to be agreed with Network Rail in December so that the shopping centre could be opened by the end of 2010. Discussions were continuing to identify the additional funding needed.

September was the first month in which the monthly budget had been exceeded, reflecting a generally increasing rate of activity. The Chairman reported that the Audit Committee had been reassured that expenditure over the next 6 months could be managed to ensure full commitment of available resources.

BUSINESS PLAN 2006/7

The forecast for total expenditure in the first year had not changed since the Board approved the budget at their first meeting, though the areas of expenditure had been revised. Invoices were being submitted more slowly than predicted and the timelag was reflected in the cashflow figures. The management cost included both ODA and Delivery Partner resources. The Business Plan would be sent to the Olympic Board and to the funders in November but in future years the draft business plan would be submitted to the Board in the preceding February.

The Board noted that VAT was a significant figure and that, if VAT could be reclaimed in future years there would be a corresponding cash inflow, though retrospective claims would be time limited.

The plan concentrated on the project plans and costs and the programme. The Board asked that the Business Plan be revised to put more emphasis on the wider objectives governing the Olympic programme. They delegated authority to Sir Roy McNulty to approve detailed changes to the Business Plan and cashflow budget for 2006/7 and agreed that a summary of the Business Plan should be published.

LIFETIME BUDGET

David Taylor left the meeting during this item

The paper showed the total estimated cost of the Olympic Programme and the ODA's costs within that total.

The Board noted a number of points: the contingency shown was realistic; the allowance for building cost inflation had been increased from 5% to 6%; and sale of the broadcast centre would offset part of the construction cost. The budget included fixed contributions towards transport costs for the North London Line and towards the additional operating costs of Transport for London, such as operating the tube system outside normal working hours during the Games.

Discussions were in progress about the allocation of costs with a number of other parties. The Stratford City developer would have additional costs to meet ODA's fixed timetable. The Home Office would bear the costs of general security, but ODA was responsible for site security during construction and would cooperate to ensure that security costs were sensibly addressed across the budget as a whole and fully taken into account in the design of venues. Discussions were also continuing with LOCOG, who were responsible for temporary costs of putting on the Games. The equitable

division of costs was not always clearcut but was based on the Bid document taking account of subsequent changes, such as the reallocation of volleyball to Earls Court.

The Board noted that ODA had identified significant savings since May and hoped that the budget would shortly be agreed and announced by the Secretary of State, though they recognised that sources of funding might not be identified until later. The funding shortfall for 2007-08, however, needed to be addressed in time for ODA to submit financial information to the GLA.

UTILITIES PROCUREMENT STRATEGY

The paper on utilities described the capacity needed and the proposed means of procurement. Capacity had been calculated on the basis of the development potential described in the Opportunity Area Planning Framework for the site to 2025. The design would meet immediate post-Games need in 2012, allowing space to install additional capacity, except where subsequent expansion would be very costly and disruptive. In those cases capacity would be designed to meet need in 2025. As a result provision for gas, water, and foul sewerage would be designed to meet 2025 capacity, whereas electricity capacity could be easily expanded after 2012 by adding a third transformer in the space provided.

This would satisfy the capacity needs for the Games period for gas and foul sewerage. However, LOCOG would need to generate additional electricity temporarily or might choose instead to contribute to the cost of providing permanent additional capacity.

The additional needs for water would be met through water conservation and re-use. It was proposed to maximise the use of sustainable energy and water harvesting to reduce the impact of the Games, but it was essential to provide alternative capacity as a back-up. The Board were concerned that the issue of sustainability should be fully addressed and asked for a future Board paper.

LOCOG was not yet able to provide a brief for telecommunications.

The option for procurement from third parties under a long term design, build, own and operate agreement (DBOO) was the recommended approach wherever appropriate. This approach was new and would add complexity and risk, but would bring potential cost savings. The possible suppliers seemed supportive in principle but would want some form of guarantee for future demand. The Board noted that there was sufficient time to explore this option and to review it in Spring 2007. It would still be possible to revert to the traditional method of procurement through the host company if necessary.

It was proposed to issue contract notices in November for a package of proposals as a DBOO contract and a design and build contract for the substation, which would be jointly procured with Stratford City.

The Board agreed the importance of exploring the potential for cost savings and maximising sustainability and approved the proposals.

Neale Coleman left the room for the following item

REMEDICATION AND DEMOLITION CONTRACTS

It was proposed that the contracts for the remediation and demolition should be transferred from LDA to ODA to provide a clear line of accountability with ODA bearing the costs and able to control the works directly. Costs and their allocation had been

broadly agreed including the costs of site investigation, and LDA's agreed contribution would leave adequate leeway to cover any cost increase. Remediation would be applied only to the land which was to be developed within the next 10 years.

The appointments of all but one of the consultants would also be transferred and collateral warranties would be provided as appropriate. Arups would be appointed as a consultant. A business case for the works would be reported to the Board at their December meeting (4 January 2007).

The Board approved the proposals and delegated authority to the Chief Executive to agree the terms and complete the necessary legal documentation.

Neale Coleman rejoined the meeting

RISK COMMITTEE

As the appointed Chairman of the Risk Committee Sir Peter Mason suggested that it should meet to fit the work as necessary. He would discuss membership with the Chairman and proposed to have some overlapping membership with the Audit Committee and, subject to the Secretary of State's agreement, to co-opt some external members with contract expertise.

The Committee would be responsible for reviewing contracts and associated risks and it was agreed that Risk Committee agendas should be circulated to all Board Members so that they could attend if they wished.

DOCKLANDS LIGHT RAILWAY (DLR) INFRASTRUCTURE WORKS

The Board had already agreed funding towards the cost of additional cars for the DLR and were now asked to consider capped funding towards the cost of infrastructure works which would enable the DLR to provide the appropriate service during the Games.

The four elements to be approved were: works to allow 3-car trains to operate on the DLR; conversion of the North London Line, which would serve both Stratford stations and West Ham as the principal Games-time stations; works specifically to increase capacity and to improve access for disabled people at Prince Regent and Custom House stations to meet Olympic needs in providing transport to ExCel; resilience measures to ensure the increased intensity of service during the Games.

The Board approved the proposals noting that the works at Prince Regent and Custom House stations were essential for the use of ExCel as a venue for the Games and that Transport for London had not guaranteed the predicted output.

AUDIT COMMITTEE

Sir Howard Bernstein had been appointed Deputy Chairman of the Committee and would act as its Chairman for the time being.

COMMUNICATIONS COMMITTEE

Baroness Sally Morgan reported that Committee Members were regularly in contact with one another. Members noted the importance of communications and that work led by LOCOG would be presented to the Board in early 2007. A Stakeholder Reception would be held on the evening of 23 January, 2012 days before the London Olympics.

PLANNING COMMITTEE

Lorraine Baldry reported that the Planning Committee had had a presentation about the Stratford City development and that the Committee would meet to determine planning applications for the first time on 14 November.

ANY OTHER BUSINESS

The Chairman reported comments sent by Stephen Duckworth who was concerned that the core ODA value of 'inclusion' needed equal consideration alongside sustainability and health and safety. Sir Roy said that this was one of the topics he proposed to discuss with Members individually.

The Board noted that, as discussed previously, summaries of Board Minutes would be placed on the website from the end of November.

There being no other business the meeting closed at 5.00 pm.