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Our ref: FOI/ E27196

Ask for: Information Governance

Date: 18.07.2016

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Dear Mr Barnard,

Freedom of Information Act 2000
Request for Information: Information Provided
Please quote our reference: E27196
Subject: Olympic Stadium

We write with regard to your recent enquiry for information held by the Council under the provisions of the Freedom of Information Act 2000.

We trust that the information provided is satisfactory. You are free to use the information for your personal use only. Any other type of re-use, for example, publishing the information or issuing copies to the public will require permission of the copyright owner. If the Council is the copyright owner, a licence can be applied for under the Re-use of Public Sector Information Regulations 2005.

For future reference we publish information on our website, including the Freedom of Information Publication Scheme and summary of Freedom of Information requests and responses that may be of help to you in searching for information.

It is important to note that under the Privacy and Electronic Communications (EC Directive) Regulations 2003 the Council asks not to receive unsolicited marketing communication.

Request and Response

Question: The estimated total revenue for the stadium is £2.5 million - expenses, so what is the approximate estimated value of the net profit for the borough's part from their £40m investment?

Answer:

Newham has not invested directly in the Stadium company. It has created a special purpose Vehicle, Newham Legacy Investments. Newham will invest in NLI who are in turn partners in the E20 Stadium LLP with the London Legacy Development Corporation (LLDC).

The estimated revenue from the stadium is not £2.5m as set out in the question; the stadium will operate as a multi use venue and the income generated will come from a variety of sources. In addition to the rental income from West Ham United, there will be income from a number of activities, including athletics, concerts and event catering. Newham's net profit from the investment will be determined after the distribution has been made in line with the agreement between E20 Stadium LLP and NLI.

Please see below for further details:

- Newham Legacy Investments (NLI) has invested £40m to transform the stadium into a world class multi-use stadium venue.
- NLI's £40m investment is a loan and has secured a 35% equity stake into the stadium through E20 LLP, the stadium owner.
- The loan gets repaid to Newham within 40 years and the loan is charged with interest of 6% per annum.
- The London Legacy Development Corporation (Mayor of London) owns 65% of the stadium and has invested over £250m into it's transformation costs.
- The profit from E20 LLP is split in NLI's favour. NLI receive the majority of the profit from the stadium operation in the first 10 years
- NLI also determines the commercial viability of further stadium investments by Newham, ensuring that they meet the commercial tests.
- LB Newham not only benefits from the profit made from holding events and stadium sponsorship but also the stadium's business rates and the redevelopment of the Boleyn ground, West Ham United's former home ground.
- West Ham United (WHU) are the anchor tenant of the stadium. The football club have a 99 year lease and pay an annual rent to the stadium operator . WHU will also deliver a range of community benefits for Newham residents as part of the stadium deal, through their community plan.

Commercial Benefits

- **Stadium Operating Profit:** The E20 business plan is predicted to make a profit from events held in the stadium when it becomes fully operational, income from sponsorship rights and selling food and drink on event days. In the longer term NLI will get a share of any additional profit above the amount required to repay the loan. The stadium is a new 'start up' business so the business will increase in profit each year of operation with careful management and investment and it was envisaged it would take 3 years for it to become a fully operational business
- **Favourable profit share:** E20's business plan pays back NLI the majority of profit in the early years of operation, even though NLI own a minority share of 35%. This deal was secured so that NLI can pay back the council the money it borrowed to make the initial capital investment into the stadium business. So we get 35% for a loan that will be paid with interest costing the Council nothing in the long-term.

- **Profit on lending** : Newham Council have lent NLI £40m to be repaid at a commercial rate of interest at 6% per year over 40 years.
- **Newham Events at the Stadium**: Through the agreements with West Ham, UK Athletics and the stadium operator, Newham are entitled to hold up to 10 mass participation events in the stadium and will receive 100,000 tickets for football matches every season. Newham can use these events to generate revenue and may be able to sell additional tickets for stadium events or access to the stadium for a financial return.
- **Business Rates**: The business rates generated by the stadium are in excess of £1.5-2m per annum and split between Newham Council, the GLA and central government. Newham receive over £450,000 per annum in business rates from the stadium business operation.
- **Redevelopment the Boleyn Ground**: Planning Permission was granted for the redevelopment of West Ham's former home in March 2016. The s106 is yet to be agreed, however current proposals would see Newham benefit from 211 affordable homes out of the 842 being built and receive a payment for Newham's Community Infrastructure Levy of over £2m. The site will also provide 559sqm of new community space, new retail provision and a new public 'legacy route' through the historic site. The estimated council tax income from the new homes at Boleyn are c.£1.5m per annum, 2K per property.

Community Benefits

- Every stadium user to sign up to a 'Community Plan' agreed with LB Newham
- 100,000 free tickets for Newham residents to watch West Ham United
- The right to access the stadium for 10 community days for LB Newham events including the Great Newham London Run
- 250 days access to the community track for local schools per year
- 75% of new jobs at the stadium to go to Newham residents
- £250,000 contribution towards community funding from West Ham United
- The legacy benefits secured so far have a commercial value as well as a value for the local community

Question: What is the estimated value of Newham's part of the naming rights, per annum, assuming £10m per annum: <https://www.theguardian.com/football/2016/apr/15/in-numbers-west-ham-deal-for-olympic-stadium> ?

Answer:

At the point of drafting this response, no naming deal rights have been signed. Any future naming rights deal will form part of the income for the E20 Stadium LLP. The distribution of any surplus would be in line with the agreement between E20 Stadium LLP and Newham Legacy Investments (NLI)

This would depend on other items of income and expenditure - so there is no specific amount that would come to Newham exclusively from the naming rights agreement. The amount paid to Newham Legacy Investments would reflect the distribution would reflect the overall profitability of the E20 Stadium LLP

Question: Are there any other projected 'significant' revenues for Newham from the stadium, over £100k per annum?

Answer:

Newham has invested in NLI and will receive a distribution from NLI as part of the agreement with E20 Stadium LLP.

As above, the distribution to Newham will reflect the performance of E20 Stadium LLP rather than relate to specific items of income.

If you require any further information or are not happy with our response please do not hesitate to contact a member of our team on (020) 8430 2000 or email us at information.governance@newham.gov.uk.

Yours sincerely,

Complaints, Members Enquiries and Information Governance
Newham Council