

<b>To</b>	Resources O&S Committee
<b>Date</b>	19 December 2019
<b>Report from</b>	Guy Olivant – Major Developments Lead, Finance & Governance Directorate
<b>Subject</b>	Commonwealth Games – Finance and Risk Update

## 1 Purpose of Report

- 1.1 This report sets out an update on the Council's financial position in relation to the delivery of the Commonwealth Games, together with a high-level summary of the key risks and mitigations being undertaken.
- 1.2 Delivery of the Commonwealth Games is being undertaken across a number of key partners including Birmingham City Council, DCMS, and the Birmingham 2022 Organising Committee, WMCA, Commonwealth Games Federation, Commonwealth Games Federation Partnerships, Commonwealth Games England and key delivery partners such as West Midlands Police and Transport for West Midlands.
- 1.3 Birmingham City Council has a number of key responsibilities across the programme including being a funder of the Games and being responsible for the delivery of key Capital projects facilities including the Athletes Village and the Alexander Stadium.

## 2 Background

- 2.1 The overall budget for the delivery of the Games (excluding the Athletes Village, but including capital expenditure associated with the Alexander Stadium and Sandwell Aquatics Centre) has been set at £778million (net of sponsorship and commercial income). This overall budget is jointly funded by Birmingham City Council (including Partner Contributions) and central Government (through DCMS), with the Council contribution calculated as £184.7million.
- 2.2 The Council's contribution of £184.7million will be a blend of revenue and capital funding, and is intended to include all capital elements of the overall Games costs from 2019/20, followed by a balancing revenue "top up" funding contribution in the final year of the programme, in order to maximise the Council's flexibility in identifying suitable sources for its funding commitments.
- 2.3 The capital delivery of the Athletes Village kickstarting the longer term regeneration of Perry Barr, whilst necessary for the Games, does not form any part of the Games budget as described above, with responsibility for delivery and funding of the Village lying with the Council. A Full Business Case for the Village was approved under delegated authority on 6 June 2019, identifying total costs of delivery amounting to £496million, funded from a combination of

grant funding and proceeds from the sale of housing after the Games have concluded. Commercial negotiations with contractors for the delivery of the accommodation are ongoing, and following the conclusion of these negotiations, a refreshed Full Business Case will be presented to the appropriate decision makers. Given the commercially sensitive nature of current negotiations, no further information in relation to the financial arrangements for the delivery of the Village is provided at this time.

- 2.4 This report provides an update on the core Games budget of £778million with a particular focus on the Council's funding contribution, together with information about the high-level risks identified within the Council relating to Games delivery.

### **3 Overall Games Budget**

- 3.1 The overall Games budget of £778million (net of commercial and sponsorship income) covers the core costs of putting on the Games, the costs of a number of key capital projects (including contributions towards the cost of the Sandwell Aquatics Centre and the full cost of the redevelopment of the Alexander Stadium) and the costs of providing a safe and secure environment for the Games, as agreed in the Host City Contract. At this stage, just over 2½ years before the Opening Ceremony, financial projections across the Games Partners are that the Games will be delivered within the agreed budget.
- 3.2 The overall budget setting process included a robust challenge process. The overall £778 budget includes the identification of suitable levels of contingency funding that may only be drawn down following explicit approval through a robust change control process. The budget also includes efficiency targets where appropriate to the nature of individual budget areas. In particular, it should be noted that the level of contingency attached to capital projects and Organising Committee expenditure was set at 20% when the budget was agreed in June 2019.
- 3.3 A series of Funding Agreements are in development to manage the various funding flows between Games Partners, and to ensure that funding is only provided in accordance with the overall Games budget and governance framework. In particular, it should be noted that the draft overarching Funding Agreement between the Council and DCMS caps the Council's contribution at £184.7million. The planned Council Contribution, approved as a part of the Council's budget in February 2019, comprises £145.3million of capital funding, with the balance of £39.4million being revenue contributions to be made in 2022.

## 4 Council Contributions

- 4.1 As would be expected at this stage of the programme, much of the early activity has related to the planning and delivery of key capital projects, with the majority of operational delivery and expenditure not planned to take place until closer to 2022. Individual capital projects are at different stages of delivery, but all are on target for delivery within the necessary timescales for the Games.
- 4.2 The following table sets out the key capital projects being funded through the Commonwealth Games budget, including any variations approved through Games governance processes and a brief summary of project status:

	Original Budget £'m	Approved Variations £'m	Current Budget £'m	Comments
Alexander Stadium	72.4	-	72.4	Stage 3 design achieved and planning application submitted; demolition underway; Main construction procurement under way, contracts to be finalised February 2020
Sandwell Aquatics Centre	31.3	5.0	36.3	Planning permission secured; enabling works packages underway; Fixed price contract for main construction signed November 2019.
Other Venues	1.8	-	1.8	Detailed proposals under development
Public Realm	10.0	-	10.0	Includes proposed contribution of £5m for City Centre public realm works
Organising Committee	8.4	-	8.4	May reduce as some elements treated as revenue expenditure
Contingency	21.4	(5.0)	16.4	Reduced contingency available for SAC following games investment decision November 2019 requiring contingency draw down based on realised risks
<b>Total</b>	<b>145.3</b>	<b>-</b>	<b>145.3</b>	

- 4.3 The Council made an initial revenue funding contribution of £2.2million in 2018/19, forming a part of the overall contribution required of £184.7million.

The remaining revenue contribution is scheduled to be made in 2022, by which stage it is anticipated that overall capital expenditure and contributions will have been finalised, and the required level of contribution required from the Council can be calculated to ensure that the total contribution does not exceed the lower of £184.7million or 25% of expenditure. The phasing of anticipated contributions will vary to match actual expenditure profiles, but is anticipated to be as follows:

Year	2018/19 £'m	2019/20 £'m	2020/21 £'m	2021/22 £'m	2022/23 £'m	Total £'m
Revenue	2.2				37.2	39.4
Capital	1.6	9.9	64.1	68.1	1.6	145.3
Total	3.8	9.9	64.1	68.1	38.8	184.7

## 5 Key Risks

- 5.1 The BCC Birmingham 2022 Programme Team maintains a cross-programme Risk and Issue Register which captures all overarching risks, issues and dependencies for the Birmingham 2022 Programme. It is updated and reviewed by the Programme Team on a regular basis, in consultation with leads, to ensure that all items are up to date, appropriately captured and categorised, and that any mitigating actions remain effective.
- 5.2 This Register contains risks and issues relating to BCCs involvement in B2022 only. It should be noted that each delivery partner holds their own risk and issue register which is governed and scrutinised by their own internal processes.
- 5.3 A summary of the key current risks and issues is appended to this report.