

To	Resources O&S Committee
Date	12 March 2020
Report from	Guy Olivant – Major Developments Lead, Finance & Governance Directorate
Subject	Commonwealth Games – Partner Funding Contributions

1 Purpose of Report

- 1.1 This report sets out current progress on the funding of the Commonwealth Games, and in particular focusses on the current status of partner funding contributions.

2 Background

- 2.1 The overall budget for the delivery of the Games (excluding the Athletes Village and specific BCC responsibilities as set out in the Host City Contract, 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 £184.6million.
- 2.2 The Council's contribution of £184.6million 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 This report provides an update on the core Games budget of £778million with a particular focus on the Council's funding contribution, including contributions from partners.

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 2 years before the Opening Ceremony, financial projections across the Games Partners are that the Games will be delivered within the agreed budget, although it should be acknowledged that much of the revenue expenditure will only be incurred much closer to Games time.

- 3.2 The overall budget setting process included a robust challenge process. The overall £778million 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. The tripartite agreement between Birmingham City Council, Sandwell Metropolitan Borough Council and DCMS for the funding of the Sandwell Aquatics Centre has now been agreed, with other draft funding agreements now well advanced. 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 and confirmed more recently in February 2020, comprises £2.2million of contributions to Organising Committee costs in 2018/19 and £145.6million of capital funding, with the balance of £36.8million being revenue contributions to be made in 2022.

4 Council Contributions

- 4.1 Based on the overall approved budget for the Commonwealth games and the provisions of the draft Funding Agreement referred to in paragraph 3.3, the total contribution from the Council and our funding partners will not exceed the lower of £184.6million or 25% of expenditure (excluding Security Contingency costs, which are funded in full by DCMS). 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	2.156				36.822	38.978
Capital	1.552	10.971	72.594	58.850	1.635	145.602
Total	3.708	10.971	72.594	58.850	38.457	184.580

5 Identified Partner Contributions

- 5.1 At the time that the Council was putting together the bid to host the 2022 Commonwealth Games, a range of Partners indicated their willingness to

provide contributions to the local costs of delivery of the Games, although at that stage the commitments were indicative, rather than being firm and secured. **At this stage, potential contributions with a total value of up to £81million were identified, but only £75million assumed to be realised.**

5.2 The following table sets out current progress on securing partner contributions, including a brief summary of each funding source.

Partner	Initially Identified £'m	Secured to date £'m	Status
West Midlands Combined Authority	25.0	25.0	Associated with Alexander Stadium redevelopment. Likely to be substantially drawn down in 2021/22.
GBSLEP	20.0	20.0	Associated with Alexander Stadium redevelopment. Must be drawn down by 31 March 2021.
Black Country LEP	5.0		BC LEP have provided £5m of direct funding to Sandwell relating to the Aquatics Centre. Advised that no direct funding will be provided.
C&W LEP	5.0	3.0	Discussions under way to establish process for access to funding. C&W LEP have indicated that they are willing to work with BCC to identify the remaining funding, but this is reliant on the identification of available funding by the LEP.
Midlands Engine	10.0		Unclear whether or not this contribution will be forthcoming. Dialogue ongoing.
Universities	10.0		BCC continue to work with the University sector to understand where the sector can support the Games. UoB are providing direct support to the redevelopment of University Station.
CIL	5.0	5.0	Value of contribution agreed, with work under way to confirm timing of CIL funding availability and to identify specific elements of the overall programme that meet CIL requirements.
NEC (Revenue)	1.0	1.0	Agreed in principle, MoU to be progressed with the NEC (NB this is likely to be revenue funding)
Total	81.0	54.0	Note £75m assumed in financial modelling.