

Birmingham City Council

Report to Cabinet

5th September 2023



Subject: Establishment of Special Purpose Vehicle for the delivery of the European Athletics Championships 2026

Report of: Craig Cooper – Strategic Director City Operations

Relevant Cabinet Members: Lead - Councillor Sharon Thompson, Deputy Leader of the Council

Relevant O&S Chair: Councillor Albert Bore, Co-ordinating
Councillor Shabrana Hussain, Neighbourhoods

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Are specific wards affected?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No – All wards affected
If yes, name(s) of ward(s):		
Is this a key decision?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
If relevant, add Forward Plan Reference: 011433/2023		
Is the decision eligible for call-in?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Does the report contain confidential or exempt information?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
If relevant, provide exempt information paragraph number or reason if confidential:		

1 Executive Summary

- 1.1 Birmingham City Council in conjunction with UK Athletics (UKA) has been awarded the right to host the European Athletics Championship 2026 (the Championships). Together with UK Sport (UKS), they are the principal funding partners.
- 1.2 To effectively deliver the Championships, in accordance with the Organiser Agreement signed with the European Athletics Association, the principal funding partners propose to establish a Special Purpose delivery company. This is deemed the most appropriate

and effective route to deliver the Championships due to the scale and complexity of the event. Such arrangements are customary practice for the delivery of mega events and Cabinet will be familiar with this approach which is the same as that adopted for the Commonwealth Games 2022 (CWG).

- 1.3 This paper sets out the rationale and recommendations regarding the establishment of the Special Purpose Vehicle that will be the Local Organising Committee (LOC).

2 Recommendations

The Cabinet is invited:

- 2.1 To approve the establishment of the Special Purpose delivery company, to be named European Athletics Championship 2026 Limited (the Company), as set out in paragraphs 6, 7 and 9.
- 2.2 To delegate authority to the Strategic Director - City Operations (or their delegate), in consultation with the City Solicitor and Monitoring Officer (or their delegate) to negotiate, complete and execute any legal documentation associated with the Council's obligations, including the Contract between the Council and the company.
- 2.3 Notes the increased estimated gross costs for the Championships of £30.8m, at a reduced net cost to the Council of £6.0m (to be met from the CWG Legacy Portfolio), as set out in paragraph 16 of this report.
- 2.4 To delegate authority to the Strategic Director - City Operations in conjunction with the Assistant Director, Procurement, the Interim Director of Finance (Section 151) and the City Solicitor & Monitoring Officer (or their delegates) in consultation with the Cabinet Member for Finance and Resources to approve a procurement strategy/ strategies and then to award contracts for procurements over the procurement threshold as required to support the Council's responsibilities for the Championships.
- 2.5 Authorise the City Solicitor and Monitoring Officer (or their delegate) to, negotiate, complete, and execute any legal documentation required to implement the above recommendations.

3 Background to European Athletics Championships

- 3.1 Birmingham has a well-established relationship with athletics with years of experience hosting national and international indoor and outdoor events. We can also now boldly state that the stadium itself is now recognised as the best Athletics Stadium in the country. This context played an important part in EAA to approaching UKA regarding a potential UK bid with UKA subsequently approaching the Council to be the host city partner.
- 3.2 Following approval by Cabinet on 28th June 2022 a final bid was submitted in September 2022 and following successful bid presentation the Championships were awarded in October.
- 3.3 The Championships are held every two years. Birmingham in 2026 will be the 27th edition and the first time the Championships will be held in the UK.

3.4 This is the second largest sporting event to be hosted in the city following the Commonwealth Games. CWG statistics are provided in brackets to help put the scale in context.

- Duration & dates: 7 days of competition, 10th – 16th August
- Venues: 3- Alexander Stadium for track and field, City Centre of road event; marathon, and race walking (16)
- Training Venues: University of Birmingham, University of Warwick, Coventry
- Spectators: 300,000
- Competing Nations: 51 (72)
- Athletes: 1,500 (4,822)
- Team Support Staff & Technical Officials 1,050
- Volunteers: 1,600 (14,000)

4 Purpose the Company

4.1 The Company will deliver the Championships in accordance with the Organiser Agreement signed by the European Athletics Association (EAA), UKA and Birmingham City Council in October 2022.

5 Why a Special Purpose Vehicle

5.1 Following discussion with UKA, supported by the knowledge and expertise of UK Sport (UKS), a special purpose vehicle is proposed as it has several key advantages and benefits as outlined below:

- Reflects the partnership approach to the delivery of the championship.
- Enables the partners to deliver against the objectives and requirements of the host rights agreement
- Reduces the negative financial impact on the Council
- Defines the requirements for staff and resource support placed on the Council services and other key delivery partners helping to avoid organisational creep
- Complies with the UK Sport Sports Governance code criteria a funding requirement
- Meets industry best practice for delivering mega sporting events

5.2 The many positives of establishing the Company it is also not without its challenges for example the costs associated with running a separate legal entity, governance etc. however on balance as outlined in paragraph 11 it is considered the most appropriate route.

5.3 UKA and the Council are jointly and severally responsible to EAA for the obligations, commitments, representations, warranties, and indemnities within the Organiser Agreement. The Agreement provides prior approval from EAA for the appointment of the newly created legal entity as the LOC.

5.4 The scale and complexity of the event means that neither UKA or the Council have the resource capacity, or full skill set, to deliver the championship individually through their internal events teams. It is also recognised that the establishment of the Company will not directly resolve this, as the Company will also need to procure the appropriate level

of additional resources, but doing so via the Company will allow more agility in governance and recruitment processes. It is also likely to create a more attractive employment proposition, than the Council or UKA, helping to attract a wider applicant pool in order to recruit the most suitable candidates.

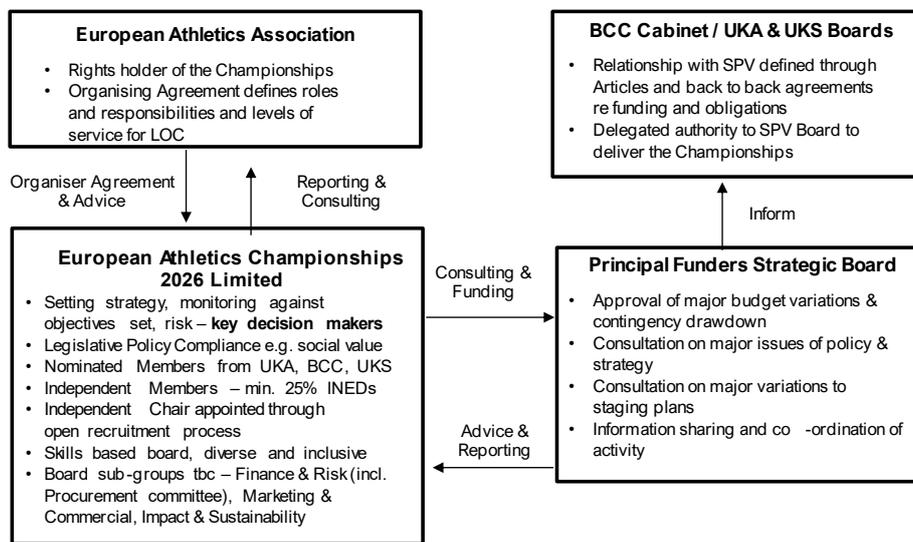
5.5 The Company would be entirely focused on the delivery of the Championships and obligations within the Organiser Agreement. Back-to-back agreements with the Council, UKA and UKS will clearly set out each partner’s roles, responsibilities, and obligations to the company. These agreements will also detail processes around change control, the funding arrangement and the requirements related to drawdown of any contingency. See paragraph 16.15.

5.6 The Council in turn can ensure its focus is on maximising the impact of hosting the championships through the visitor experience, business and tourism programme, festival and celebratory activity and local, regional, and international relations.

6 Type of Company Vehicle Proposed and Rationale

6.1 The principal funding partners have agreed, subject to approval through their individual governance processes, that the Company should be a joint venture between UKA and the Council, limited by shares.

6.2 The below diagram outlines the relationship between the Company, principal funding partners and events rights holder EAA.



7 Company Equity

7.1 The proposed shareholding of the company is as follows.

- BCC 50%
- UKA 50%

7.2 The company will require equity on establishment of 100 shares at £1 each, with operational funding from the main funding partners being provided as a series of grant payments either directly or indirectly to the Company.

8 Company Objectives

8.1 The purpose, vision, and goals of the Championships, and therefore the Company, have been shaped between the principal funding partners, ready for presentation and agreement by the board of the Company when incorporated and operational.

- Purpose – “Together, we will be bold to move communities to be active”
- Vision - “Delivering the best European Athletics Championships that inspires a positive change”

8.2 The bid also committed to achieving this through the following goals

- By delivering packed-out stadiums and reach new audiences
- By delivering a commercially successful Championships
- By delivering a profound social impact on local communities
- By being the most welcoming European Athletics Championships
- To handing over the Championships responsibly

8.3 As fellow principal funding partners, UKA and UKS are committed to supporting the Council in aligning the Championships to the city’s wider legacy strategy and stakeholder policy at local, regional, and national level including

- Locally - Birmingham City Council Corporate Plan and Major Sporting Events Strategy, social value and living wage policies
- Regionally - WMCA Aims & Objectives e.g., West Midlands Plan for Growth
- Nationally - Sport England – Uniting the Movement, UK Sport Strategic Plan and UK Athletics Strategic plan

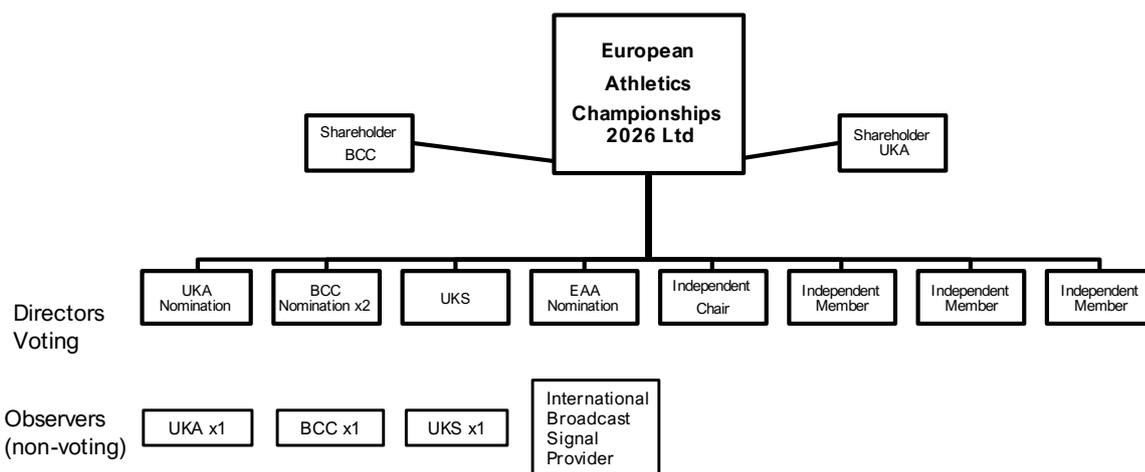
8.4 This coordinated approach to the delivery of legacy initiatives, will be manifested through the bid commitment to deliver a ‘Streets to Stadium’ programme which will also assure direct alignment to Games legacy objectives which are to:

- Bring people together
- Improve health and wellbeing
- Put us on the global stage
- Help the region to grow and succeed
- Be a catalyst for change

9 Governance Arrangement

9.1 The proposed board structure is shown in the diagram below at paragraph 9.7. The Council will have two nominated directors on the board of the company, whilst other principal funding partners will have one, this being to reflect the Councils position as the main funder and underwriter. It is proposed that the two Council nominated Directors are Craig Copper, Strategic Director – City Operations and Cllr Sharon Thompson, major events portfolio holder. This will be supported by one executive representative acting in the capacity of an observer proposed as Katie Brazier, Head of Major Events Delivery. The same observer opportunity would also apply to UKA and UKS.

- 9.2 As per the Organiser Agreement EAA would have a nominated Board Director, who will be appointed in November 2023 and the International Signal Broadcast Provider would have an observer.
- 9.3 To meet the Code of Sports Governance requirements, and UKS funding terms, the Chair should be independent, and appointed through an open recruitment process with clear criteria to ensure that the individual appointed has an authentic understanding, affinity, and connection to Birmingham primarily and within the regional context. The Council will have representation on the selection panel.
- 9.4 When nominating their board representatives, the partners will be careful to ensure the diversity and demographic profile of Birmingham is reflected. Such consideration will be equally, if not more important, during the open recruitment and appointment of independent members, alongside ensuring a wide range and mix of skills, knowledge, and experience, which will set the Company up for success.
- 9.5 It is important to highlight that all Directors of the Company will have full fiducial duties (as per the Companies Act 2006, 172) which means they are to act in the best interest of the Company and therefore delivery of the Championships. They are nominated by, not representatives of, their parent organisations.
- 9.6 The leadership team and associated staff of the company will be appointed through an open recruitment process, the detailed recruitment plan is currently being developed from the high-level bid submission, by the Interim Chief Operating Officer brought on board to help drive initial planning and the establishment of the SPV.
- 9.7



10 Intelligent Client Function

- 10.1 There is a funding commitment from the CWG underspend and underwrite commitment for the Council to support the delivery of the championships as outlined in paragraphs 7.1 and 7.2.

- 10.2 The company will be required to produce various reports to meet the requirements of funding from UKS. Alongside this board papers, meeting minutes and key documentation will be provided to the Council as required. As appropriate this information will also be made available publicly on the Championship website.
- 10.3 It will be the responsibility of the nominated directors and executive observer to duly report within the governance requirements of the Council. It is not envisaged that this will require any additional resource.

11 Options considered and Recommended Proposal

- 11.1 Option 1 – to deliver the Championships through the Council Events Team, part of the Neighbourhoods Division within the City Operations Directorate.
- 11.2 Option 2 – to deliver the Championship through UKA.
- 11.3 Option 3 – to create a new company for the special purpose of delivering the Championships as approved in the Organiser Agreement signed by the Council and UKA.
- 11.4 Recommended Option - to proceed with Option 3 as detailed within paragraphs 6,7 and 9 and as per the recommendations outlines at paragraph 2. Options 1 and 2 are not recommended due to the scale and complexity of the event, as highlighted in paragraph 5.4. It is considered that the advantages as outlined in paragraph 5.1 to 5.6 outweigh any disadvantage that the Company will itself need to procure appropriate levels on resource. Establishing a Special Purpose Vehicle is a well-established, industry best practice model for the delivery of mega events such as the Championships.

12 Consultation

- 12.1 Officers have engaged with colleagues across directorates through an internal working group that has been meeting monthly, including an SPV sub-group with events, finance and legal representation specifically looking at the matter.
- 12.2 Cabinet Committee Group Company Governance has been consulted at their July 2023 meeting and are supportive of the recommendations.
- 12.3 Consultation has taken place with relevant portfolio holders, and they are supportive of the recommendations. (TBC)
- 12.4 UKS and UKA have been consulted and are supportive of the recommendations.

13 Risk Management

- 13.1 A risk register has already been established relating to the delivery of the Championships. This is currently being managed by the Interim Chief Operating Officer, with oversight from the funding partner project group, involving representatives from the Council, UKA, and UKS. It is envisaged that the risk register will be passed to the new company once established.

- 13.2 The Council Events Team will also maintain a risk register specific to the Council's own obligations to the company and its wider contribution to the success and impact of the Championships.
- 13.3 The Council will actively mitigate risk in connection to the overall delivery of the Championships in relation to the success of the Company and its associated financial obligation by
- retaining and controlling the budget related to the Councils delivery obligations
 - ensuring that any contingency drawdown is only agreed following completion of a clearly defined need being demonstrated by the Company Executive and approved provided by the Principal Funders Strategic Board, UK Sport and the Company Board
 - ensuring robust budget and programme management reporting at the company Board

14 Compliance Issues

- 14.1 The European Athletics Championships supports the five Be Bold outcomes, which will be enabled through the establishment of the Company, and associated contracts and activity delivered by the Company and the principal finding partners and wider stakeholders as following
- 14.2 **A Bold Prosperous Birmingham:** In hosting the Championships in Birmingham, a sustainable and inclusive growth in the economy is supported. With hundreds of visitors likely to attend the Championships, the “global stage” and ability to promote Birmingham and its assets will be seen by a wide audience. It will boost the accommodation and hospitality sector in the city. Building from the positivity and legacy of the Commonwealth Games, hosting will further enhance Birmingham as global city with the capacity to host mega events and prove prosperous in the exciting years ahead.
- 14.3 **A Bold Inclusive Birmingham:** Collaborating closely with partners, the Championships will deliver an exemplary level of services to visiting athletes from across Europe. With attentiveness to spectator requirements and desires, the diversity and cultural heritage of the city will be highlighted, creating a vibrant, attractive, accessible, and inclusive spectacle for citizens and visitors to enjoy.
- 14.4 **A Bold Safe Birmingham:** Through engagement with local businesses and establishments, the Championships will allow visiting nations to experience the very best of Birmingham and by proxy, delivery a great amount of civic pride for residents. Cultural depth and range will be improved for all whom have positive interactions with visiting athletes and a lasting positive feeling will be taken across the world that Birmingham is a young, vibrant, historic, and fantastic global city. The Championships will be delivered with a focus on a safe environment for all involved.
- 14.5 **A Bold Healthy Birmingham:** The Championships will provide a catalyst to develop and deliver engagement and participations activity under the Street to Stadium programme delivering positively social impact, physical activity, and sports development.

- 14.6 **A Bold Green Birmingham:** In alignment with the Council's commitment to carbon reduction and net zero future commitment, the SPV will take this commitment seriously and build, wherever possible, sustainable practices into the delivery of the Championships, for example to ensuring accommodation and transportation planning is as sustainable as possible and that consideration is given to meals and catering to reduce waste and source produce both locally and ethically.
- 14.7 The new company shall be compliant with the legislative policy requirements such as Social Value as well as to adopt Council policies like the Living Wage in its procurement.

15 Legal Implications

- 15.1 Under Section 1 of the Localism Act 2011, the Council has the power to enter into the arrangements set out in this report, which are within the remit and limits of the general power of competence in Sections 2 and 4 of the Localism Act 2011.
- 15.2 The legal powers to stage activities and events of this nature are contained with Section 145 of the Local Government Act 1972.
- 15.3 All matters related to data including data sharing and ownership provisions around ticketing and volunteers will be addressed between the principal funding partners and the Company to ensure appropriate legacy benefits are realised alongside compliance with legislation.
- 15.4 The Host Agreement was signed last year and does not provide any general or indeed specific termination right(s) to the Council to terminate the Agreement early. The Agreement also states that for the avoidance of doubt, a lack of funds, whatever the cause, is not a Force Majeure in relation to any Host Party.
- 15.5 The potential cost of withdrawing from the agreement is both reputational and financial. From a financial perspective it is difficult to quantify as the approach from European Athletics is unknown in relation to damages. It is noted that the International Tennis Federation was recently awarded \$20M for the cancellation of an agreement to stage the Billie Jean King Cup finals in Budapest.

16 Financial Implications

- 16.1 On 28th June 2022, Cabinet agreed to underwrite a one-off contribution up to £13.7m, from the Financial Resilience Reserve for the hosting of the Championships. This was at the time the identified funding gap for the direct cost of the championships, based on a delivery cost of £20.8m.
- 16.2 Since successfully being awarded the Championships, further work has been undertaken on the wider costs of hosting the Championships. Not only has the budget been further scrutinised in reference to delivery against the obligations in the Organiser Agreement but also in the broader context of ensuring that as stated in the Major Sporting Events Strategy, the Championships are recognised for being an event hosted in Birmingham, that had purpose and delivered positive impact for the city and its citizens. The budget therefore now reflects costs of ensuring a welcoming, safe, and engaging Championships for citizens and visitors alike, not least by applying learnings

from the CWG. Together with the impact of inflation and a prudent level of contingency of £3.3m (including inflation allowances) the estimated delivery cost is now £30.8m.

16.3 Whilst the costs have increased, sources of income have now also been secured which reduces the Councils potential funding contribution from £13.7m down to £6m. See table in paragraph 16.4. This £6m will be funded from the Council's CWG underspend meaning that money is no longer needed from reserves or business as usual budgets.

16.4

Income Source	£m
WMCA (secured)	13.7
UKS (secured)	3.0
UKA (secured)	0.2
Spectators: Ticketing /Hospitality	4.9
Sponsorship	1.4
Various Others including Value in Kind	1.6
BCC (secured)	6.0
Total	30.8

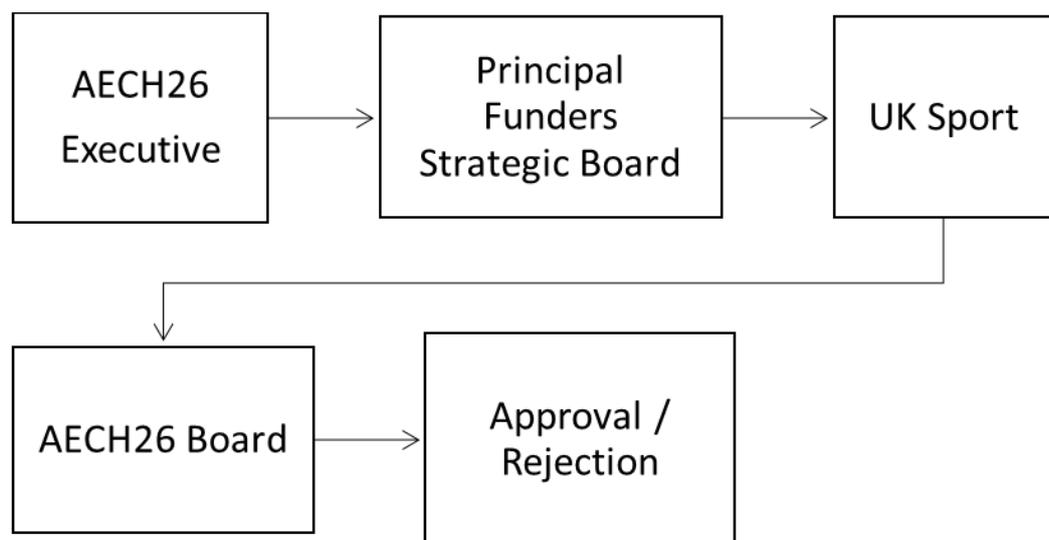
16.5 Including the Council's contribution of £6m the secured income is £22.9m or 74% of the requirement, leaving £7.9m or 26% unsecured income (including all ticketing income). As the underwriter the Council is therefore liable for this unsecured amount or potential overspend, should commercial targets not be met, or operational costs be exceeded. Any request for use of contingency and additional fund would require consideration and approval from the Principal Funders Strategic Board.

16.6 Responsibility for delivery of the Championships will be split between the Company, the Council and other key partners (potentially including TFWM and WM Police), with the key focus for the Company being the direct delivery of the event in line with the underlying Organiser Agreement. The diagram in paragraph 16.15 sets out the areas of responsibility.

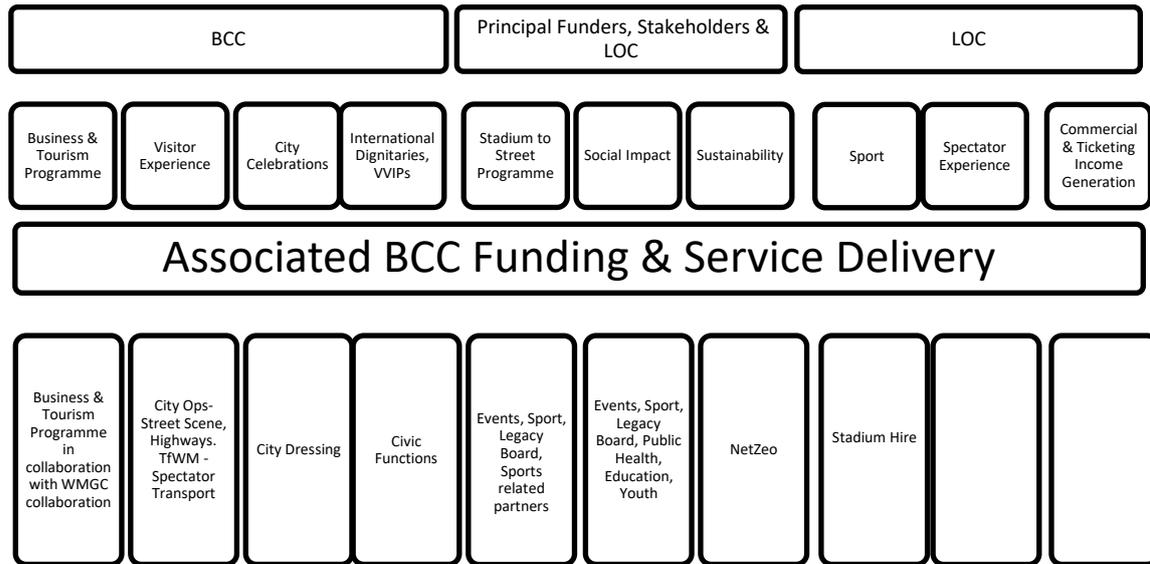
16.7 The Company will be responsible for its own financial management, reporting and control procedures, appointing a financial manager to oversee the delivery of this. The Company will operate separate financial procedures and will produce its own accounts and annual audit, though will comply with any necessary arrangements, as set out in grant funding contracts. The company will produce financial reports to its Board. The nominated directors for the Council will be able to access these and share as required.

16.8 The Company will establish a scheme of delegated financial authority setting out who can spend how much and on what, and what expenditure needs special permission, and with who's authority. As outlined in the diagram in paragraph 6.2 the Company Board will have a Finance & Risk Subgroup which will include procurement approvals via a procurement committee. The Council will have representation on this committee.

- 16.9 Budget variations & contingency drawdown will be agreed at the Principal Funders Strategic Board. Access to contingency will be actively managed and will include robust challenge (including a requirement for the demonstration of value for money of any requests), to ensure that delivery of the Championships is achieved within the overall budget.
- 16.10 The Company will hold its own bank account and manage all transactions. Consideration will need to be made regarding payments required in foreign currency.
- 16.11 It is not anticipated that the Company will borrow or invest.
- 16.12 In the event of an underspend or surplus this will be distributed based on the provisions within the Organiser Agreement, the corresponding level of contribution made by each principal funding partners, and in line with the conditions set out in the UKS funding award. However, the intention of all principal funding partners is that the championships will operate at a break-even budget.
- 16.13 A tax specialist at Hayes Macintyre has provided advice to the principal funding partners with respect to VAT and this is reflected in the recommend on the structure of the Company.
- 16.14 The overall Championship budget of £30.8m includes £3.8m of Council activity to support the successful delivery of the Championship ensuring a positive visitor experience and economic and social benefits are realised, see diagram below in paragraph 16.16. Approximately £21.5m will be provided to the Company, in agreed stages payments, to deliver the requirements of the Host Agreement. The remaining £5.5m will be held by the Council in contingency.
- 16.15 The request contingency the Company executive will need to demonstrate need including detailing changes to scope, timelines for individual element, value for money and the impacts of non-approval. Submission of a change request will not guarantee that it will be agreed. The process and required approval process will be as follows.



16.16



17 Procurement Implications

- 17.1 As a Contracting Authority and “body governed by public law” as defined by regulation 2 of the Public Contracts Regulations 2015, the new company will be required to ensure compliance with these regulations (and any subsequent legislation resulting from the Procurement Bill).
- 17.2 Similarly, to the Commonwealth Games it is envisaged that a procurement committee is established under the direction of the SPV Board to provide oversight and authorise all procurement strategy and award decisions managed by the Company.
- 17.3 All procurements required to support the Council’s responsibilities for the Championships will be managed in accordance with the Council’s Procurement and Contract Governance Rules.

18 Human Resources Implications

- 18.1 It is anticipated that the company will employ its own staff and be responsible for any subsequent associated on-costs including pensions. It is still to be determined if the company will take advantage of any partners existing service.
- 18.2 TUPE, Pension Implications - at the time of writing, it is not envisaged that Council staff will be TUPE to the company. Should the need arise that Council staff are required to support the company, then it is envisaged that the terms of such resource supply to the company and the financial implications of this will be considered and agreed.
- 18.3 Payroll - this service will be procured by the company,

19 Public Sector Equality Duty

- 19.1 The Council is required to pay due regard to its public sector equalities duties, and this is reflected by the completion of an equalities impact assessment. It is noted that there are no immediate issues arising directly from this report.

20 Background Documents

20.1 List of appendices accompanying this report:

Appendix 1 Environment and Sustainability Assessment

Appendix 2 Equalities Impact Assessment Ref EQUAL1167