

To	Resources O&S Committee
Date	20 January 2022
Report from	Guy Olivant – Major Developments Lead, Council Management Directorate
Subject	Commonwealth Games – Funding Update

1 Purpose of Report

- 1.1 The Resources Overview & Scrutiny Committee requested an “update on the Financing of the Commonwealth Games, with a particular focus on the position regarding partner contributions - what was initially agreed, how is this being pursued and the contingency plans if the partner funding is not forthcoming”. This report therefore provides an update to this Committee on the anticipated costs and 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 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 £184.2million.
- 2.2 The Council’s planned contribution of £184.2million is a blend of revenue and capital funding, and includes 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 and minimise the direct revenue costs of hosting the Games.
- 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, only 6 months before the Opening Ceremony, financial projections across the Games

Partners continue to show an expectation that the Games will be delivered within the agreed budget even after the disruption caused by COVID-19 and the UK's exit from the EU, 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 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 place 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 overarching Funding Agreement between the Council and DCMS acknowledges the Council's contribution at no more than £184.2million. By 31 March 2022, it is anticipated that the Council will have contributed some £141million of this overall commitment, with the balance of £43million to be incurred in 2022/23.

4 Council Contributions

- 4.1 Based on the overall approved budget for the Commonwealth games and the provisions of the Funding Agreements referred to in paragraph 3.3, the net contribution from the Council and our funding partners will not exceed the lower of £184.2million or 25% of eligible expenditure (eligible expenditure excludes certain costs included in the overall budget of £778m, that are 100% funded by DCMS). The phasing of the Council's anticipated contributions will vary to match actual expenditure, 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				36.853	39.009
Capital	1.552	11.447	47.765	78.388	6.007	145.189
Total	3.708	11.447	47.765	78.388	42.860	184.198

5 Identified Partner Contributions

- 5.1 As has been previously reported to this Committee, the Council's initial expectation was that partner funding contributions towards the Council's £184.2m share of the cost of the Games would be secured to the value of at least £75million, including contributions from the West Midlands Combined

Authority, regional LEPs, local Universities and the Midlands Engine.

- 5.2 Despite extensive engagement over a number of years at both political and senior officer levels, to date it has only been possible to secure partner contributions amounting to £50million, with secured contributions from the West Midlands Combined Authority (£25million), Greater Birmingham & Solihull LEP (£20million) and Community Infrastructure Levy (£5million). It is anticipated that the entirety of this contribution will have been drawn down by 31 March 2022. Given the substantial impact on public finances as a result of the COVID-19 pandemic in particular, it is considered extremely unlikely that any further partner contributions will be secured.
- 5.3 In recognition of the increasing likelihood of a £25million shortfall in partner funding contributions, Cabinet agreed on 27 July 2021 that this amount should be set aside from the overall Corporate Capital Contingency (established as a part of the Financial Plan 2021-25 as approved at the Council Meeting held on 23 February 2021) to mitigate the risk of this funding shortfall and ensure that the Council's commitments under the terms of the Host City Contract could continue to be met, and to ensure that the delivery of the capital investment required for the Games was not undermined.