
**Manchester City Council
Report for Resolution**

Report to: Executive - 8 March 2017

Subject: Belle Vue Speedway: Update

Report of: The Chief Executive

Summary

This report sets out the issues associated with the National Speedway Stadium at the Belle Vue Sports Village and to detail the matters which have affected the Stadium and its occupancy since late 2015. Specifically this report sets out:

- (a) the original arrangements the Council entered into with Belle Vue Arena Limited to underpin their occupancy at the stadium;
- (b) the actions taken by the Council to remedy the track failures which arose on the 19th March 2016;
- (c) the circumstances which contributed to Belle Vue (BV) Arena Ltd and Belle Vue Speedway Ltd going into administration;
- (d) the British Speedway Promoters Association decision to revoke the Promoters Licences of the owners of Belle Vue Speedway Limited; and
- (e) the arrangements, following detailed consultation with the Belle Vue Speedway Association (BSPA), which the Council has now entered into to support the occupancy of the new ownership of the Belle Vue Aces Franchise at the National Speedway Stadium to ensure the future of the historic Aces club.

Finally, the report sets out the financial and other implications for the City Council in terms of dealing with the chain of events set out in this report.

Recommendations

The Executive is recommended to:

- 1) Note the contents of this report.
- 2) Authorise the City Treasurer to write off the bad debts of £224,000 in the event they are not recoverable from the Liquidator.
- 3) Approve a grant of £30,000 from the Council to Eastlands Trust to be funded from the 2016/17 Strategic Development Budget.

- 4) Approve the virements of £356,000 from the Manchester Institute Health Performance (MIHP) budget and £82,000 from the Strategic Acquisitions budget to meet the identified capital costs outlined in recommendation 5) below.
- 5) To approve capital expenditure of £438,000 form the capital fund, £209,000 for the acquisition of plant, machinery and IT equipment previously acquired by the Belle Vue Group of Companies and held by the Liquidator and Finance Companies; and £229,000 to deliver investment into the South Stand of the Speedway Stadium. It should be noted that a proportion of the £209,000 asset acquisition costs will be recoverable from Belle Vue Speedway 2017 Ltd should the parties enter into a long term lease arrangement for the Stadium.
- 6) Delegate to the City Treasurer the accounting treatment of whether spend from the capital fund is capital or revenue.
- 7) Delegate to the Director – Strategic Development and City Treasurer in consultation with the Executive Member for Finance and Human Resources the arrangements for the repayment of the invest to save costs for the stadium build, to be reported back to Executive as part of the 2018/19 capital budget process.
- 8) In accordance with paragraph 14 of Part 4, Overview and Scrutiny Procedure Rules of the Council’s constitution, and having consulted with the relevant statutory officers, approve the matter as urgent, in that any delay caused by the call-in process, would seriously prejudice the legal or financial position of the Council or the interests of the residents of Manchester and exempt it from call in.

Wards Affected: Gorton North

Community Strategy Spine	Summary of the contribution to the strategy
A thriving and sustainable city: supporting a diverse and distinctive economy that creates jobs and opportunities	Securing the future of the National Speedway Stadium as a platform to host a range of national and international speedway events will deliver additional economic benefits to the city and the East Manchester area
A highly skilled city: world class and home grown talent sustaining the city’s economic success	In the longer term Belle Vue Speedway 2017 Ltd will give consideration to the development of a Speedway Academy that will focus on a range of skills development opportunities needed to sustain the sport.
A progressive and equitable city: making a positive contribution by unlocking the potential of our communities	The National Speedway Stadium is a key asset within the Belle Vue Sports Village and the combined facilities within the complex offer the opportunities for residents to come together and to become healthier.

<p>A liveable and low carbon city: a destination of choice to live, visit, work</p>	<p>Securing the future of the National Speedway Stadium will help contribute to strengthening Gorton as a destination to live, visit and work.</p>
<p>A connected city: world class infrastructure and connectivity to drive growth</p>	<p>The National Speedway Stadium is already recognised as one of the best speedway tracks in the UK. This asset along with the other facilities on the Belle Vue Sports Village help support the vibrancy and attractiveness of Gorton and East Manchester.</p>

Full details are in the body of the report, along with any implications for:

- Equal Opportunities Policy
- Risk Management
- Legal Considerations

Financial Consequences - Revenue

The report outlines the issues experienced with the building and operation of the Belle Vue Speedway Stadium which forms part of the Belle Vue Sports Village underpinning the regeneration proposals for East Manchester. It also outlines the measures being put in place to ensure that the speedway stadium has a sustainable future. The Council paid for the construction of the stadium on an invest to save basis with £350,000 rent to be paid from the operator to cover the borrowing costs for £5.25m as part of the £13.1m total Belle Vue Sports Village capital construction and fit out cost.

In order to resolve the issues with the Stadium track defect and the previous operator going into voluntary liquidation an additional £126,000 has been incurred in legal and consultancy fees associated with the remediation of the track and subsequent legal claims. This cost has been met from within the Strategic Development budget in 2016/17. The Council will also have to cover the historic utility costs at the stadium from 11th March 2016 until 31st October 2016. These have been estimated at £30,000 plus an, as yet unknown, amount in respect of drainage costs.

The Council has a claim for £224,000 in respect of unpaid rent, insurance and business rates costs which is currently with the liquidator. It is uncertain whether all these costs are likely to be recovered. In the event that these costs are unable to be recovered through the insolvency process, these costs will need to be written off against the Council's bad debt provision.

In order to ensure the continued operation of the speedway facility the stadium is being managed by the Eastlands Trust as part of the wider Belle Vue Sports Village. A new Franchisee has now taken over the ownership of the speedway club and they will lease on a short term basis the track and pits from the City Council. A short term business plan has been put in place to cover this interim period while a long term arrangement and business plan is further developed. The Council will grant £30,000

to the Eastlands Trust, to be met from the 2016/17 Strategic Development budget, to support business development activity for the facilities in order to maximise the potential from the new arrangements and at the same time help develop a long term sustainable business plan with the new Franchise owners. This Business Plan will be developed around the economics of the sport and the potential of the facility itself.

Moving forwards with Belle Vue Speedway 2017 Ltd the forthcoming speedway season must be regarded as a transitional phase whereby the City Council should, at this juncture, not anticipate any significant improvement in the financial position. Working with Belle Vue Speedway 2017 Ltd will enable a robust rent share and occupancy base for the Stadium to be determined. As such this forms the basis on which the arrangements for 2017/18 have been formulated. A key aspect of these arrangements in developing a realistic Business Plan will be to test the previously agreed base rent of £350,000 per annum and to determine the timing of the capital borrowing to be repaid that was used to partly fund the Stadium. The outcomes of this work will be report to a future meeting of the Executive.

Financial Consequences – Capital

In order to achieve the required capacity crowds to meet Business Plan targets and to be allowed to host major events temporary seating was erected for the South Stand in 2016/17. It is proposed that the Council seeks the most cost efficient way to rent or purchase outright, terraces and ancillary toilets and concessions to increase the capacity by 1,200. This is currently estimated to be £189,000. In addition, to ensure that the condition of the track is retained, the Council will also purchase track covers for circa £40,000, bringing the total investment required to £229,000. A further sum up to £209,000 is required to secure the track operating equipment from the liquidator of which a proportion will be recoverable from the new Franchise owner, should they take up the option to take a long term lease of the Stadium. In agreeing to any long term lease the Council will have to satisfy itself that the lease arrangement represents best value for the Council. It is estimated that circa £70,000 of the £209,000 will be recovered if the long term lease arrangement is entered into.

The capital investment requirements outlined above total £438,000 and can be partially funded using the £356,000 underspend from the Manchester Institute of Health and Performance (MIHP) capital scheme. The balance of £82,000 will be met from the Strategic Acquisitions budget, with any expenditure recovered going back into the budget.

Initial discussions have been held with Sport England to consider a limited set of proposals to further enhance the asset base that has been developed at Belle Vue Sports Village. Detailed proposals together with a business case have yet to be developed. Any requirement for further investment into the facilities at the Speedway Stadium will be bought back to the Executive for consideration.

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Background documents (available for public inspection):

The following documents disclose important facts on which the report is based and have been relied upon in preparing the report. Copies of the background documents are available up to 4 years after the date of the meeting. If you would like a copy please contact one of the contact officers above.

- Partnership with Manchester City Football Club and East Manchester, Executive, 13th July, 2011
- Partnership with Manchester City Football Club and East Manchester, Executive, 14th March, 2012
- Belle Vue Sports Village, Executive, 10th April 2013
- Eastlands Community Plan: Update, Executive, 8th March 2014
- Capital Programme – Proposed Increases, 1st July 2015
- Capital Programme Proposed Increase: Belle Vue Sports Village, Executive, 9th September 2015

1.0 Introduction

- 1.1 This report sets out the issues associated with the National Speedway Stadium at the Belle Vue Sports Village and to detail the matters which have affected the Stadium and its occupancy since late 2015, as referred to in the summary above.

2.0 The National Speedway Stadium: Background

- 2.1 On 13th July 2011 the Executive approved the Eastlands Regeneration Framework following consultation with residents, businesses, landowners and other stakeholders. In approving the Eastlands Regeneration Framework the Executive also endorsed a Draft Eastlands Community Plan that set out in some detail the opportunities in respect of new community infrastructure. Following consultation the Eastlands Community Plan was subsequently approved at the March 2012 meeting of the Executive. This Plan identified eight key initiatives to be brought forward for development, one of which was the Belle Vue Sports Village.
- 2.2 The April 2013 meeting of the Executive approved the principle of the development of the Belle Vue Sports Village which would incorporate the National Speedway Stadium, a national centre for Basketball and new playing fields. An indicative funding profile was provided that would be the subject of further reports to the Executive following design development work.
- 2.3 The case to support investment into the National Speedway Stadium was influenced by a number of factors: The Stadium would:
- enable an historic sports club - the Belle Vue Aces - to have a more sustainable and viable business going forward, based on increasing regular attendances for Elite League meetings;
 - increase the potential for team and meetings sponsorship;
 - provide the potential for new revenue streams in areas such as merchandise and from hosting national and international Speedway events;
 - deliver positive economic impacts subject to the scale and number of events held at the Stadium; and
 - provide positive community impacts from the use of the Stadium itself and the wider facilities across Belle Vue Sports Village.
- 2.4 In April 2014 the Executive approved amendments to the funding strategy with the total proposed capital costs of the Belle Vue scheme estimated to be £11.954m.
- 2.5 Subsequent reports to the Executive in July 2015 and in September 2015 further increased the capital programme to accommodate additional costs associated with construction inflation and to provide resources to deliver the infrastructure associated with temporary stand facilities for international and national events. When completed the cost of developing the National Speedway Stadium was circa £8m out of an overall scheme budget of £13.3m.

- 2.6 The City Council had worked with the owners of Belle Vue Aces over a number of years to both evaluate the opportunity for a new Stadium at Belle Vue along with their active engagement in delivering the scheme once agreed. In order to deliver the scheme a number of companies were established by the owners of Belle Vue Aces, the principal ones being B V Arena Ltd, who would manage and operate the Stadium, and Belle Vue Speedway Ltd, who had responsibility for the speedway team. These Companies, along with two other Belle Vue Speedway related Companies, constitute the “Belle Vue Group of Companies” referenced throughout this report.
- 2.7 Base case Business Plan forecasts were presented to the City Council in 2013 by the owners of the Belle Vue Group of Companies. These forecasts were based on the numbers of spectators for the Elite League meetings being circa 1,800 per fixture along with a significant contribution from World Championships and FIM meetings. The move to a new Stadium and the switching of home race nights from Monday to a Friday / Saturday night, the removal of the rental payments to their previous Stadium owner, and the ability to retain food and beverage income, satisfied the Council that this enabled Belle Vue Aces to be profitable and to enable B V Arena Ltd to service the annual rent to the Council.
- 2.8 The £8m investment by the Council into the National Speedway Stadium development was secured on the basis that BV Arena Ltd would enter into a full repairing and insuring lease of the whole facility from the Council at a commercial base rent of £350,000 per annum. Under this agreement, BV Arena Ltd would lease the use of the speedway elements of the stadium to Belle Vue Speedway Ltd at a market rent.
- 2.9 Part of the terms of the commercial arrangement between the Council and BV Arena Ltd was the requirement of an injection of £500,000 of private equity investment into a ring fenced investment account of BV Arena Ltd, to ensure the long-term financial viability of BV Arena Ltd in accordance with its business plan. The ring-fenced investment account was to remain until a stable trading pattern was demonstrated and financial commitments met for a minimum period of 5 years. From a City Council perspective the £500,000 of private equity investment was therefore, additional security and was always envisaged as a buffer to the future trading performance of BV Arena Ltd.
- 2.10 The owners of the Belle Vue Group of Companies secured the necessary £500,000 of private equity investment in 2013. The two principal investors were significant business leaders with both a national and international business profile. These investors were regarded by officers as greatly enhancing the overall commercial capacity across the Belle Vue Group of Companies which would generate significant additional benefit for all parties.
- 2.11 In early February 2016 the Council was notified that the £500,000 of private equity investment in Belle Vue Arena Ltd had been withdrawn in October 2015 alongside the loss of the commercial skills that the original investors would have contributed to the business. At the time, the owners of the Belle Vue

Group of Companies were not prepared to disclose the reasons for the withdrawal of the private equity funding to the City Council nor did they offer a satisfactory explanation for the three months delay in informing the Council.

2.12 Following notification of the withdrawal of the investment, at a meeting with the Chief Executive in early February 2016 the owners of the Belle Vue Group of Companies confirmed that they had tried but failed to secure replacement private equity in the intervening three month period.

2.13 As Paragraph 4.11 in the report indicates it subsequently came to light in October 2016 that £600,000 investment had in fact been made into the Belle Vue Group of Companies in October 2015. Although not confirmed this may have been used for the purpose of repaying the original investors. Having secured replacement investment of £600,000, it now appears that the Belle Vue Group of Companies had utilised part or all of the original £500,000 from the ring fenced investment account of BV Arena Ltd prior to October 2015. It has also now been established that the original investors withdrew their £500,000 investment as they had concerns about the development of the business and the overall governance arrangements associated with the Belle Vue Group of Companies.

2.14 The consequence of not having the £500,000 equity base available at the beginning of the 2016 Speedway season was that:

- this left the Belle Vue Group of Companies in a vulnerable position given the trading risks;
- BV Arena Ltd were in breach of it's legal agreement with the City Council; and
- the decision was taken that the full 60 year lease for the Stadium facility could only be drawn down when a £500,000 equity base was in place along with an updated Business Plan was developed.

2.15 Until a longer term arrangement could be concluded, and to support both the Speedway Team, the City Council entered into a series of short term licence agreements from 11th March 2016 to 31st October 2016 that enabled BV Arena Ltd to legally occupy and operate the Stadium,.

2.16 Due to the issues with the track (as set out below) between March and end April 2016, the Council waived the licence fee during that 2 month period and agreed for future payments to be made in an arrears for the duration of the speedway season. However, no licence fees due by the BV Arena Ltd under the licences between May and October 2016 (together with such other ancillary costs between March and October 2016) have ever been paid to the City Council.

3.0 The development of the National Speedway Stadium: the Track Failure and the remedies put in place by the City Council

3.1 The building contract for the Belle Vue Sports Village was awarded to ISG in late 2013. The building works for the Speedway Stadium were completed in

mid March 2016 at which point BV Arena Ltd took occupancy of the facility under a licence.

- 3.2 The Peter Craven Memorial Event on 19 March 2016 was the first speedway event to be held at the new Stadium for which the City Council were informed by BV Arena Limited that circa 5,500 tickets were sold. The Council understands that on the 18th March 2016 the speedway track was signed off as fit for racing by the Speedway Control Board following testing of the track by speedway riders. On the 19th March 2016 the Clerk of the Course declared the track fit for racing. Unfortunately immediately before the start of the event had to be abandoned. In a series of practice laps before the event the riders, including past and present world champions, determined that the track on Turns 3 and 4 was too soft and that it was unsafe to ride on. The Council is still unclear on what basis the track was declared fit for racing on the 18th and the 19th March and why the event was not cancelled earlier.
- 3.3 A range of remedial works were undertaken between 21st March and 7th April 2016 but these did not rectify the issues and it was identified that part of the track (Turns 3 and 4) would need to be rebuilt. Arup, as consulting engineers, were appointed to provide technical advice to the Council.
- 3.4 Following site investigations it was evident that the materials used for the sub base on Turns 3 and 4 were different to those specified in the Building Contract and should not have been used as a replacement without an assessment on the impact of the Speedway track. It has come to light that the owners of Belle Vue Group Companies were aware of the proposal to use alternative material. However, the Council were not made aware of this change of material and the express consent of the Council was not obtained.
- 3.5 The rebuilding of the track on Turns 3 and 4 was subsequently undertaken by the contractor and Arup were engaged to oversee those works. The rebuilding works were completed and the track signed off as completed on 27th April 2016. There were no costs to the City Council in respect of remedying the defects.
- 3.6 In addition to the abandoned event of the 19th March, between the 20th March and the 27th April 2016 several Elite and National league matches for Belle Vue Aces were postponed due to the unsafe nature of the track and the need to undertake the subsequent remedial works to correct the track. It is claimed that the loss of income from these postponed events put significant financial pressures on the Belle Vue Group of Companies which was compounded by the requirements of BV Arena Ltd to purchase services associated with the hosting of the 2016 Speedway World Cup at the end of July 2016.
- 3.7 In April 2016 the Belle Vue Group of Companies commenced discussions with the City Council in order to seek a loan facility in the sum of £171,000 that would support the cash flow pressures that the company was facing.
- 3.8 In considering this request for the loan the Council indicated that there would need to be a range of security measures put in place along with necessary

diligence undertaken. At the point of the loan request was made the Belle Vue businesses were assessed by the City Council as being in the category of “High financial risk with low collateralisation”. The Council did offer to make a loan subject to diligence in the sum of £171,000 which included provision for loss of income while the track was being reinstated. The Belle Vue Group of Companies did not take up this offer

- 3.9 In July 2016 BV Arena Ltd submitted a claim against the City Council under the commercial agreements for their alleged losses purported to be due to the failure of the track. They did not pursue a claim against the contractor under the collateral warranty. Discussions were instigated by the City Council with ISG to resolve all issues in relation to the works and a confidential settlement is still being negotiated with ISG and the liquidators of the Belle Vue Group of Companies which is subject of an offer to the liquidator.

4.0 The circumstances leading to the collapse of the Belle Vue Group of Companies

- 4.1 Following the offer of the loan of £171,000 on the 1st June 2016, the owners of the Belle Vue Group of Companies wrote to the Chief Executive on 16th June 2016 seeking a grant of £133,000 to deliver the 2016 Speedway World Cup in Manchester.
- 4.2 On receiving this request for £133,000 of grant support the overall capacity of the owners of the Belle Vue Group of Companies to both manage the commercial aspects of the business and deliver the 2016 Speedway World Cup was called into question by the Council. Any confidence that the Council had in the competence and operational capacity of the owners of the Belle Vue Group of Companies had been seriously eroded away at that point in time.
- 4.3 Given these circumstances the Council held discussions with IMG, the promoters of the 2016 Speedway World Cup (SWC), to establish what IMG could offer in order to safeguard the event in Manchester. They in turn held discussions with the owners of the Belle Vue Group of Companies. The result of those discussions was that, whilst the event would be loss making for IMG, IMG took responsibility for the management and organisation of the event with all contracts which the Belle Vue Group of Companies had entered into for SWC 2016 being novated across to IMG.
- 4.4 In parallel with the work to engage IMG, the financial position of the Belle Vue Group of Companies was further reviewed by the Council. This review revealed significant weaknesses in the financial controls and processes associated with the Belle Vue Group of Companies. As such the Council confirmed that it would be unable to provide public monies to support the Belle Vue Group of Companies as it could not be assured that the Belle Vue Group of Companies was financially resilient so as to ensure that public money would be protected and the public interest would be served.

- 4.5 Further discussions were also held separately with the owners of the BV Arena Ltd about the future arrangements for occupying and operating the Stadium. In order to protect the public sector investment, the Council's position was that a commercial operator should be appointed to manage the Stadium with the owner's energies being focussed on the management and operation of the BVA speedway team.
- 4.6 The Council understood that the owners of the BV Arena Ltd recognised that there were several weaknesses in the commercial capacity of the business to manage and operate the Stadium and that they were keen to explore an approach with a commercial operator with an established track record in running stadia. Officers positively encouraged the owners to explore such opportunities without delay and that given the history of events, the officers considered that this would be the only basis on which the Council would be able to consider reviewing the relationship with the Belle Vue Group of Companies beyond the end of the 2016 speedway season.
- 4.7 During August and early September 2016 it was evident that little progress had been made by BV Arena Ltd in exploring an approach with a commercial operator to run the Stadium with the owners being focussed on BVA's qualification for the Elite League Play Offs and getting to the Play Off Final.
- 4.8 In late September 2016 the owners of the Belle Vue Group of Companies indicated a wish to pursue the loan facility that was offered on the 1st June 2016 due to their view of a rapidly deteriorating financial position. Officers could not recommend a loan with out a further review of the businesses.
- 4.9 In October 2016 following the end of the Elite League Speedway season a further review was undertaken of the Belle Vue Group of Companies finances by the City Council and this indicated that the weaknesses which were identified in July 2016 had not been rectified. As such officers could not recommend the signing of any loan agreement
- 4.10 Since taking occupation of the National Speedway Stadium in March 2016, BV Arena Ltd failed to meet important requirements of their agreements, including paying any rent on the property to the City Council. As a result the Council were therefore also unable to renew BV Arena Ltd's licence to occupy the stadium nor the entering inform of any further commercial arrangements with the Belle Vue Group of Companies
- 4.11 In October 2016, it had come to light that the Belle Vue Group of Companies had significant debt not only with the Council but with other parties. The Council was contacted by the Chairman of the British Speedway Promoters Association (BSPA) in respect of the financial position of both BV Arena Ltd and Belle Vue Speedway Ltd. They had been made aware that several BVA speedway riders had not been paid salaries and had heard rumours that contractors had not been paid by the Belle Vue Group of Companies. They had also been aware of rumours suggesting that the City Council was going to terminate the agreement with the Belle Vue Group of Companies, which was a major concern to the BSPA as the National Speedway Stadium.

- 4.12 On the 18th October 2016 Council officers were contacted by another investor who informed the City Council that they and a consortium of investors had invested £600,000 via an Enterprise Investment Scheme (EIS) into a new group company in October 2015 - BVA Holdings Ltd. This investment had not been shared with the Council by the owners of the Belle Vue Group of Companies when they met with the Chief Executive in February 2016. The new investors indicated that such monies were used to redeem the monies owed to the exiting consortium and the remainder of the investment being additional capital into the business. From the discussions held with this new investment consortium the City Council now understands that the EIS qualification was never confirmed.

The Events post October 2016

- 4.13 The licence for B V Arena Ltd to be in occupation of the National Speedway Stadium expired on the 31st October 2016. From Council and a BSPA perspective, the speedway franchise, Belle Vue Aces had collapsed as a business. Both the BSPA and the Council have remained absolutely committed to speedway in Manchester and agreed to work together to develop a long-term and sustainable solution to ensure that Belle Vue Aces could continue as the city's speedway team.
- 4.14 In the short term the Eastlands Trust were requested to take over the operations of the National Speedway Stadium from 1st November 2016. The Eastlands Trust is responsible for operating the Council's elite leisure facilities across East Manchester and since the completion of the Belle Vue Sports Village, has been responsible for operating all other aspects of the site, excluding the stadium. Given its experience, both in respect of operating City Council facilities and its knowledge of the Sports Village, the Eastlands Trust agreed to act as Stadium Operator until such time as the City Council was able to identify a more viable option.
- 4.15 At the same time, the City Council was notified that the Belle Vue Group of Companies were no longer trading as going concerns and had entered into discussions with a turnaround and recovery firm in respect of their business affairs.
- 4.16 In January 2017, it was confirmed that both BV Arena Ltd and Belle Vue Speedway Limited had formally entered voluntary liquidation following concerns over financial management. With the Financial Consequences section of this report the debts owed to the City Council are set out along with a number of costs and liabilities associated with the Stadium. After contact from the liquidator the Council appears to be the largest creditor. The Council has reason to believe that there may be other creditors such as the HMRC and other trade creditors and suppliers.

5.0 Belle Vue Speedway 2017 Ltd

- 5.1 Following a fuller understanding of the position of Belle Vue Speedway Ltd, the BSPA revoked the promoter's licences of the BVA promoters. The BSPA

were approached by a number of parties who expressed an interest in running the speedway franchise and following conversations with these parties, considered three of the proposals to be suitable speedway promoters. Throughout the process, the City Council was kept informed by the BSPA of the interested parties.

- 5.2 The Council and the BSPA then undertook a joint exercise to identify the preferred partner to take over the speedway franchise granted by the BSPA and to enter into a lease with the Council to occupy the stadium with the control of operations at the stadium being provided by the Eastlands Trust.
- 5.3 An appraisal of the bids was undertaken by the Council which concluded that a consortia had offered the most commercial bid having shown an interest in developing a business plan that would, in the short term, occupy and operate the stadium whilst seeking to develop a business plan to operate both the speedway franchise as well as the stadium. This decision was supported by the BSPA who have agreed to provide the required speedway promoter's licence to the new company.
- 5.4 The two investors behind the new franchise were the original equity investors for BV Arena Ltd. Their commitment to be involved in the ongoing delivery of speedway in Manchester, as well as their commercial expertise, was considered to provide the strongest bid to successfully deliver in the short term the speedway franchise as well as in the long term to develop a sustainable business model that will facilitate growth and development of both the stadium and wider Sports Village.
- 5.5 Belle Vue Speedway 2017 Ltd was established in February 2017. The new business is led by Tony Rice and Robin Southwell. As referenced above they were the original investors into BV Arena Ltd and who withdrew their investment in October 2015. Tony was the Chief Executive of Cable & Wireless Communications (CWC) until 2013 whilst Robin was the Chief Executive of the aerospace company EADS (now Airbus) until 2014. He has recently had his role as a global UK Business Ambassador extended by the Government.

6.0 The Implications and Consequences for the City Council

- 6.1 Notwithstanding the work which was done at the outset to satisfy the Council about the robustness of the original Business Plan (which provided the essential justification for the City Council's investment to complete the funding plan for the Stadium) it is clear now that the absence of any commercial management competencies in the Belle Vue Group of Companies aligned with the absence of robust financial and operating systems within the company structure, has led the Belle Vue Group of Companies into voluntary liquidation. Their performance in managing the speedway business means that any reliable analysis of business performance has been rendered impossible. Such an analysis will now only be possible through working with the new owners of Belle Vue Speedway 2017 Ltd.

- 6.2 Looking back over the last 18 months it is now very clear that the owners of the Belle Vue Group of Companies have not been open and transparent with the Council particularly in respect of not informing the City Council of the withdrawal of the £500,000 of private equity funding along with not declaring that replacement investment of £600,000 had been made at the same time as the original investment was withdrawn.
- 6.3 In addition to not informing the City Council about the loss of the original investment the failure of the owners of the Belle Vue Group of Companies to replace the loss of the commercial expertise which the original investors added at the outset magnified the challenges which the owners faced to deliver the original Business Plan outcomes in their first season in the new Stadium.
- 6.4 While the defects to the track which became apparent at the Peter Craven Memorial Event on the 19th March contributed to the operational and financial difficulties faced by owners of the Belle Vue Group of Companies these were a result of a change of materials which were not specified in the original contract were not approved as a change by the Council and nor did the Council have any prior knowledge of the proposal. The Council's offer of a loan included an assessment of the lost income as a result of the track not being available while it was being reinstated.
- 6.5 The decision to go ahead with the loss making 2016 Speedway World Cup after the end of April 2016 was one made by the owners of the Belle Vue Group of Companies. This prestigious World Championship event only took place as a result of IMG assuming responsibility for the event otherwise it would have been cancelled.
- 6.6 The British Speedway Promoters Association's decision to revoke the licence of the Belle Vue Aces promoters was a reflection of their lack of confidence in the owners of the Belle Vue Aces as well as their financial management capability.
- 6.7 As a result of the BSPA's commitment to work closely with the Council a new franchise has now been granted to new owners which offers a realistic prospect of a successful future for Belle Vue Aces Speedway Team in addition to the delivery of the objectives as originally envisaged by the Council. Over the next 12 months the intention will be to work with the new franchise owners and produce a Business Plan which, subject to satisfying the Council, will determine the most productive operational management arrangements for the franchise and the Stadium going forwards. The outcome of this work will be presented to the Executive for final determination.
- 6.8 The work that will be undertaken with Belle Vue Speedway 2017 Ltd will be determine a reliable financial and operating base not only for the Stadium but Belle Vue Aces Speedway team too. This work is required to create a stable financial base from which future plans can be determined with confidence. As part of this review the previous agreed £350k pa rent will be tested.

7.0 Waiver from Call-In

- 7.1 Approval has been sought pursuant to Rule 14 of the Overview and Scrutiny Rules that the decisions set out in the recommendations above are urgent as the delay caused by the call in process would seriously prejudice the legal or financial position of the Council or the interests of the residents of Manchester.
- 7.2 The Council must be in a position to finalise the commercial arrangements to ensure that all the necessary facilities and equipment are in place to meet the requirements for the speedway season the first race of which is to be held at the beginning of April 2017. If the current decision was called in it would result in a delay to providing the required facilities at the national speedway stadium and a legal and financial risk to the Council. Therefore in order to avoid such risks due to delay it is considered prudent to exempt the decisions from call in.

8.0. Recommendations

- 8.1 Detailed recommendations appear at the front of this Report.

9.0 Contributing to the Manchester Strategy Outcomes

- (a) A thriving and sustainable city: supporting a diverse and distinctive economy that creates jobs and opportunities**
- 9.1 Securing the future of the National Speedway Stadium as a platform to host a range of national and international speedway events will deliver additional economic benefits to the city and the East Manchester area.
- (b) A highly skilled city: world class and home grown talent sustaining the city's economic success**
- 9.2 In the longer term Belle Vue Speedway 2017 Ltd will give consideration to the development of a Speedway Academy that will focus on a range of skills development opportunities needed to sustain the sport.
- (c) A progressive and equitable city: making a positive contribution by unlocking the potential of our communities**
- 9.3 The National Speedway Stadium is a key asset within the Belle Vue Sports Village and the combined facilities within the complex offer the opportunities for residents to come together and to become healthier.
- (d) A liveable and low carbon city: a destination of choice to live, visit, work**
- 9.4 Securing the future of the National Speedway Stadium will help contribute to strengthening Gorton as a destination to live, visit and work.
- (e) A connected city: world class infrastructure and connectivity to drive growth**

9.5 The National Speedway Stadium is already recognised as one of the best speedway tracks in the UK. This asset along with the other facilities on the Belle Vue Sports Village help support the vibrancy and attractiveness of Gorton and East Manchester.

10.0 Key Polices and Considerations

(a) Equal Opportunities

10.1 An outcome will be to capture local employment opportunities and ensure that local residents have the opportunity to compete for such job opportunities.

(b) Risk Management

10.2 The delivery of the capital works required in the immediate short term will be overseen and monitored by the Belle Vue Project Board. This Board will also work with Belle Vue Speedway 2017 Ltd to oversee the development of a robust Business Plan that determines a reliable financial and operating base not only for the Stadium but Belle Vue Aces Speedway team.

(c) Legal Considerations

10.3 Legal consideration are contained in the body of the report. The legal team will continue to provide advice and support to officers in relation to all aspects of this project.