

**Subject:** Ice Rink

**Report to:** ELT 21<sup>st</sup> August 2017

Economic Development Committee 11<sup>th</sup> September 2017

Full Council 5<sup>th</sup> October 2017

**Report by:** Kate Watts, Strategic Director

At Economic Development Committee on 7<sup>th</sup> July 2017 Members asked Officers to look at the cost of provision of an Ice Rink by the council. Officers were asked to look at both the costs of hire of a rink and also the costs of purchase of a rink. Economic Development Committee on 11<sup>th</sup> September 2017 resolved that;

***The Council be recommended to purchase an ice rink and to consider the options for purchase as detailed within the Strategic Director's report.***

As part of consideration of the report to Economic Development Committee it was requested and agreed that the business case would be reviewed and updated with figures obtained through the Council's procurement process and through additional financial modelling. This report now presents the updated figures and should Members wish to provide an ice rink, then Officers recommend the following:

- 1) That based upon the attached report the option of hiring an ice rink for the 2017 winter season to be funded by a single payment from the Town Centre Initiative Reserve should be pursued;
- 2) That the fees for use of the ice rink be set at levels as detailed within the report;
- 3) That officers review the timing that the ice rink is open and promotion of the event including ticket promotions;
- 4) That in order to test the market for such a hire arrangement contract standing orders relating to acquisition of supplies and services be waived and further quotes be obtained;
- 5) That further sponsorship is proactively sought to reduce the net cost of the event;
- 6) That a report be presented to the Economic Development Committee in 2018 to review the 2017 ice rink hire and to consider options for future events that support the revitalization of the town centre.

## **1. INTRODUCTION**

1.1 As part of the ongoing commitment of the Council to revitalizing its Town Centre there has been substantial investment in Town Centre events since 2014, with the aim of;

- creating a vibrant atmosphere
- entertaining those already in the Town Centre
- encouraging new customers to the Town Centre
- encouraging lapsed customers back to the Town Centre
- encouraging repeat visitors
- raising the profile of the Town Centre and ultimately the Borough

1.2 And with the objectives for staging events in the Town Centre to include;

- increasing footfall
- increasing sales in Town Centre shops and Marketplace
- contributing to the overall strategic objective to sustain and build upon the retail offer in the Town Centre
- establishing the Town Centre as a key element of the Great Yarmouth offer

## **2. OVERVIEW OF ICE RINK EVENT 2015/16**

2.1 As part of this investment an Ice Rink in the Town Centre was installed from 20<sup>th</sup> November 2015 to 3<sup>rd</sup> January 2016. The installation of the rink was a bold headline statement of the Council's commitment to the Town Centre and clearly got people talking about and visiting the Town Centre during its period of opening. This can be evidenced through footfall figures in comparison with the previous year, the highlights of which included;

- Lights Switch-On up 25%
- Coca-Cola Truck up 48%
- Last Wednesday before Xmas up 10%
- Boxing Day up 10%
- Tuesday after Bank Holiday up 12%

2.2. It was harder to translate this footfall increase into retail spend. It was disappointing to note the lack of engagement from some traders to take the opportunity to draw customers into shop. For example many traders did not open in line with the Ice rink evening opening times where there was a clear increase in footfall into the Town Centre.

2.3 Customer feedback about the rink was very positive, from schools and their children writing into the Council about their experience to website feedback which includes

statements such as *“It was a success, people were loving it and all ages were using it and others were standing and watching the skaters. It was a welcome diversion and uplift for Yarmouth Town Centre and for a change”* and *“All town centers of small towns are struggling to stay alive and to be honest it would be so very easy for local business and authorities to just let it die. Life is about enjoyment and in your busy life if you stopped to either look at the fantastic Christmas lights, took a stroll through the Christmas Market or where indeed brave enough to have a go on the ice rink you would have seen happiness everywhere”*.

- 2.4 Media coverage for the event was extremely positive with weekly articles both in the Mercury and Advertiser. However there was some feedback from Retro skate that the Ice Rink took trade away from them during its period of opening.

### **3. EVENTS REVIEW FINDINGS**

- 3.1 Officers have undertaken an initial review of Town Centre events that were held during 2016/17 and have established that larger scale events much better achieve the aims and objectives detailed within the introduction section of this report.
- 3.2 Furthermore feedback from potential investors into the Town is that they are looking for a greater year round customer offer, rather than the traditional summer seaside holiday period.

### **4. ICE RINK COSTINGS FOR 2015**

- 4.1 Members are asked to note that a paper detailing an initial financial review showed the costs for this rink as £108,545.25. However the paper was clear that the final invoices had not yet been processed and on final analysis the total costs of the rink was £111,927.
- 4.2 The finance for this rink was taken out of the Council's Town Centre Initiative reserve. The remaining uncommitted balance of this reserve currently totals £425,434.

### **5. ICE RINK HIRE COSTINGS FOR 2017**

- 5.1 It is clear that the installation of an Ice Rink in the Town Centre provided the headline statement it was intended for. Footfall figures showed an increase in people visiting the Town Centre and there was a clear buzz about its installation.

5.2 However the Rink did come at significant cost and officer resource. It is therefore for the members to consider whether or not they would want to see a headline event of similar magnitude planned for 2017.

5.3 The figures presented at the Economic Development Committee in September 2017 have been reviewed further and updated as a result of the Council's procurement process being completed and revised estimates as applicable. As a result costings have been confirmed for;

- Purchase and hire prices for the Ice Rink
- Estimated income (net of VAT)
- Actual and further estimated sponsorship receivable.

5.4 Appendix 1 details the updated financial business case following the procurement exercise for an Ice Rink and the estimated cost (including operation for the season) for the hire of a rink is £97,241 for 2017/18. This is subject to the projected income being achieved of £125,200 (from tickets, skate aids, sponsorship and signage). It is proposed that the rink would run from 17<sup>th</sup> November 2017 to 3<sup>rd</sup> January 2018 (a period of 47 days), although options to extend the provision could be considered.

5.5 The business case is based on proposed prices of an adult ticket price be set at £10, a child's at £7.50 and a family ticket at £30 (for a maximum of 2 adults, including two children). Income on this has been based a daily average usage of 240, 2015 figures saw a daily average usage of 241. It needs to be noted that these ticket prices would be inclusive of VAT.

5.6 Appendix 1 also shows the projected net cost to the Council for a total of five years assuming hire each year.

## **6. ICE RINK PURCHASE COSTINGS**

6.1 Officers were also asked to look at costings in relation to the purchase of a rink as an alternative to annual hire. This would total an estimated £216,637 which would be capital expenditure. The capital expenditure could be funded from either borrowing (which would incur an annual Minimum Revenue Provision Charge from year 2 to the revenue account) or from the Town Centre Initiative Reserve as a one off.

6.2 As a result of purchasing a rink a number of additional costs have been included which

include transport and set up of the rink, and storage for the rink when it is not in use.

- 6.3 Offsetting these costs against the projected income the Ice Rink for 2017 would cost the Council £100,190 in 2017/18 increasing to £126,591 in 2018/19 which also includes the associated revenue costs of financing the capital expenditure. If the initial capital cost was funded from the Town Centre Reserve the cost in 2017/18 would remain at £100,190 and increase to £104,928 in 2018/19.
- 6.4 Members also asked Officers to scope the possibility of this rink being hired to others. Any hire of the rink would require the Council to set a fee that covers all associated costs borne by the Council including some margin of profit.
- 6.5 Because the Council will be using the rink between November and January, outdoor hire usage would be for February and March only, unless the hirer wished to use an indoor venue.

## **7. SPONSORSHIP**

- 7.1 Initial direct scoping of sponsorship opportunities have identified £30,000 worth of sponsorship for the Ice Rink if it was to be put in place for Christmas 2017.
- 7.2 Correspondence has also been sent to businesses across the borough and at this stage an additional £8,000 of sponsorship income has been allowed for in the proposal.

## **8. FINANCIAL IMPLICATIONS**

- 8.1 As mentioned earlier in the report at the time of the report to the Economic Development Committee a procurement process had commenced in accordance with the Council's contract standing orders in order that accurate figures could inform the final business case to be presented as part of the decision to Full Council.
- 8.2 The business case as attached at Appendix 1 provides details of the revised costs and income for the provision of an ice rink for both hire and purchase over a five year period which have been updated as a result of the procurement process. In addition there has been a further amendment to the level of income assumed due to the earlier report assuming that fees were receivable gross, however recent specialist VAT advice has now confirmed that VAT is payable on the fees collected, for example of a £10

ticket only £8.33 is retained by the Council. This is being pursued with HMRC, however for the current time VAT must be accounted for as mentioned above.

- 8.3 Neither option produces a break-even position for the Authority, with both resulting in growth to the Council's annual budget position. Whilst there could be additional income achievable from ticket sales above the level assumed in the attached business case it is not anticipated that these would increase significantly to cover the annual cost of hire or purchase. The following provides a summary of the net costs (after allowing for income) for the provision of an ice rink for the five year period of annual hire compared to purchase:

	2017/18	2018/19	2019/20	2020/21	2021/22
Hire – Annual Cost	97,241	96,660	98,626	98,626	99,708
Purchase – Capital Cost One off	216,637				
Purchase – Annual cost	100,190	126,591	120,384	119,647	121,967

- 8.4 As part of the procurement process the Council received four expressions of interest and only one formal submission which has been used to inform the business case, although there will need to be further consideration of the costs received to ensure competitive offers have been received and therefore if Members wish to provide an ice rink the report is recommending a waiver of contract standing orders to allow further quotes to be obtained.
- 8.5 The Council is and continues to face a funding deficit and therefore when approving ongoing growth to the Council's budget outside of the annual budget process, the overall financial implications for the Council needs to be taken into account. As part of making considering the proposals for the Ice Rink Members should take into account the overall projected budget deficit for the Council from 2018/19 onwards which currently assume no growth in the revenue position.
- 8.6 As mentioned previously in the report the 2015/16 ice rink was funded from the town centre initiative reserve. There would be sufficient balance in the reserve to fund the annual hire of the rink for four years or the purchase for three years if the capital cost is funded by borrowing and one year if the capital cost is funded from the reserve, although this would reduce the ability to use the town centre reserve for other town centre initiatives moving forward.
- 8.7 Funding from reserves can be used for one-off purposes and should not be seen as a source of funding for ongoing budget gaps and funding growth. Therefore if Members

wish to provide an ice rink for 2017, then it would be recommended to hire and fund from the town centre initiative reserve as a one-off and future provision of an ice rink for 2018 onwards be considered as part of the annual budget setting process and the wider consideration of proposals for revitalizing the town centre. This would also allow time for the outcomes of the 2017 provision to inform future events and to proactively seek further sponsors for future events.

## **9. RISK IMPLICATIONS**

9.1 There are a number of potential risks, which include;

- a. The Council could fail to obtain the estimated levels of sponsorship income and ticket sales income increasing the net cost to the Council.
- b. The financial risk of the Council purchasing an ice rink for which the projected operating costs and income levels will result in growth to the Council's base budget. Whilst one-off costs, for example, a one-off hire fee can be funded from reserves, continued funding from reserves does not provide a sustainable solution to provision of a facility.
- c. The Ice Rink (hired or purchased) not being of a satisfactory quality which could affect the reputation of the Council. Correct specification during tender process would help mitigate against this.
- d. There is a risk that whilst the procurement process has been followed in line with the Council's Contract Standing Orders and despite four expressions of interest being received only one formal submission was received and therefore does not provide sufficient comparison and competitiveness of cost. To mitigate this an option would be to waive contract standing orders to allow further quotes to be pursued.
- e. The Ice Rink could break down during use; again this could affect the reputation of the Council along with the forecast income assumed. Correct specification during tender process could help mitigate against this.
- f. Bad weather may prevent full usage of the Ice Rink and reduce estimated income for the Council. Difficult to mitigate against unless a covered Ice Rink is procured, which would be at a higher cost.
- g. Health and safety risks of staging such an event. Detailed event planning and risk assessments will be undertaken to mitigate against this.

## **10. CONCLUSIONS**

10.1 This report provides an overview of both the cost of the hire and purchase of an Ice Rink, with an confidential Appendix which financially maps this cost over a five year period.

- 10.2 Based on the figures from the latest procurement and the current assumptions around sponsorship and income levels, it is recommended that subject to Members wishing to provide an ice rink for 2017, that the hire option is taken forward and a more detailed review of options for future provision as part of the revitalisation of the Town Centre be considered during the 2019/20 budget process.

Area for consideration	Comment
Monitoring Officer Consultation:	Yes comments taken account of within the report
Section 151 Officer Consultation:	Yes – attached financial business case and financial implications
Existing Council Policies:	“The Plan” “The Town Centre Masterplan”
Financial Implications:	Yes – potentially in relation to the Town Centre Initiative Reserve, general reserve and capital funding.
Legal Implications (including human rights):	N/A
Risk Implications:	Detailed within this report and will also be considered as part of the event set up if the Ice Rink is approved
Equality Issues/EQIA assessment:	Considered as part of the event set up if the Ice Rink is approved.
Crime & Disorder:	Considered as part of the event set up if the Ice Rink is approved.
Every Child Matters:	Considered as part of the event set up if the Ice Rink is approved.