

## **TELFORD & WREKIN COUNCIL**

**CABINET - 20 OCTOBER 2011**

**FULL COUNCIL - 24 NOVEMBER 2011**

### **INVESTMENT INTO TELFORD ICE RINK (BUSINESS CASE)**

**JOINT REPORT OF HEAD OF LEISURE, LIBRARIES & CUSTOMER SERVICES & HEAD OF PROPERTY & ICT**

#### **(PART A) – SUMMARY REPORT**

##### **1. SUMMARY OF MAIN PROPOSALS**

- 1.1 The Council's Cabinet agreed on the 8<sup>th</sup> June 2010 to the undertaking of a formal procurement process in respect of the proposed transfer of Telford Ice Rink to an external operator under a lease agreement. The procurement process was commenced, however, following the change in leadership in May 2011 a preference to explore an in house option was requested, in order to explore a more viable financial business model which would result in income, following the major refurbishment and inclusion of additional attractions eg soft play, retained and reinvested into the facility by the Council and not lost to a private sector provider.
- 1.2 Proposals for an 'in house' option include for the refurbishment and extension of the Ice Rink to provide additional leisure provision in the form of a soft play facility, enhanced reception, boot change and welfare facilities, the creation of a restaurant unit which will be owned by the Councils Property Investment Portfolio (PIP) and leased to an independent operator including a new improved frontage, which will significantly enhance the visual appearance of the building as it faces onto the new Main Street delivered as part of the Southwater development programme.
- 1.3 A financial business case (Appendix 1) has been prepared which identifies both the capital and revenue implications of the "in house" proposal. If approved, the Ice Rink would need to close for a period of 4 months from June 2012 whilst internal refurbishment works to the ice pad and associated cooling plant, are undertaken. The soft play facility would open from December 2012. The proposals would necessitate the undertaking of a staff restructure which would be carried out in line with the wider corporate restructuring process. It would also necessitate the relocation of the Ice Learning Zone, the former Playing For Success Centre however alternative locations are currently being identified.

##### **2 RECOMMENDATIONS**

- 2.1 That Cabinet endorse the proposed 'in house' development option subject to inclusion in the approved Service and Financial Planning Strategy for 2012/13
- 2.2 That Council endorse inclusion within the Budget Strategy for 2012/13 the capital and revenue implications as well as the spend in 2011/12 set out in Appendix 1.
- 2.3 That, Cabinet grant delegated authority to the Head of Property & ICT, following consultation with the Cabinet Member for Housing, Regeneration and Economic Development to award any contracts necessary for the delivery of all works outlined in this report.
- 2.4 That, Cabinet approve that the retail unit is incorporated into the Property Investment Portfolio in return for a capital investment as set out in the report.

**2.5 That Cabinet grants delegated authority to the Head of Governance to seal or sign any documents required to give effect to the recommendations contained in this report.**

### **3 SUMMARY IMPACT ASSESSMENT**

|                                                 |                                                                                                                                                         |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
|-------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>COMMUNITY IMPACT</b>                         | Do these proposals contribute to specific Priority Plan objective(s)?                                                                                   |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
|                                                 | Yes                                                                                                                                                     | The Ice Rink is a regional facility which attracts approximately 250,000 visitors per year, The facility provides opportunities for young people and families to be physically active and therefore contributes to improving the health and well being of residents of Telford & Wrekin and is one of the most popular venues in the borough for young people                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
|                                                 | Will the proposals impact on specific groups of people?                                                                                                 |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
|                                                 | Yes                                                                                                                                                     | The proposal will enhance community and sporting provision for a range of community groups particularly children, young people and families.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| <b>TARGET COMPLETION/DELIVERY DATE</b>          | It is proposed that the refurbished Ice Rink would open in September 2012 with the soft play and restaurant provision being completed by December 2012. |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| <b>FINANCIAL/VALUE FOR MONEY IMPACT</b>         | Yes                                                                                                                                                     | The total capital cost of the Ice Rink refurbishment and extension is £3.977million, of which £0.285million will be incurred in 2011/12. This cost reduces to £3.2m from 2014/15 from offsetting the PIP capital investment of £0.777m in the restaurant unit. The cost of borrowing £3.977million up to 2013/14 and £3.2million from 2014/15 onwards has been factored into the financial business case at Appendix 1. The cost of borrowing £3.2million is £0.253million per annum. There are additional revenue costs to the Council of £0.368m in total between 2011/12 and 2013/14 which are mainly due to the impact of the closure of the Ice Rink and the cost of borrowing. It is projected that from 2014/15 the impact of the refurbishment will result in a surplus being generated totalling £21k in 2014/15 rising to £94k per year by 2016/17. This will be achieved through additional income generated through the soft play facility, an increase in the number of visitors and savings from operational efficiencies. MLB 07.10.11 |
| <b>LEGAL ISSUES</b>                             | Yes/No                                                                                                                                                  | The Council has the power to carry out the recommendations contained within this report and ongoing legal advice will be provided as and when necessary. All contracts awarded by the Council must comply with the Council's Contract Procedure Rules and Financial Regulations and must also comply with any EU requirements.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| <b>OTHER IMPACTS, RISKS &amp; OPPORTUNITIES</b> | Yes                                                                                                                                                     | Opportunities linked to new business development and inward investment as part of Southwater development. Opportunities to enhance the town centre leisure offer for both residents and visitors particularly the inclusion of a soft play facility currently not present in the town centre. Risks associated with financial projections relating to future income growth and rental income from the restaurant unit however these will be mitigated through marketing and promotion of the Southwater                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| <b>IMPACT ON SPECIFIC</b>                       | No                                                                                                                                                      | Borough wide and regional impact.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |

**(PART B) – ADDITIONAL INFORMATION****4 INFORMATION**

- 4.1 Telford Ice Rink is a facility of significant local and regional importance as the nearest comparable alternative rink is in Solihull. The ice rink regularly attracts 250,000 plus visitors per year.
- 4.2 The ice rink, built in 1984, is now in need of significant investment. A condition survey of Telford Ice Rink has identified that significant internal and external refurbishment is required, amounting to £3.1m over the next 3 years, in order to keep the facility in a functional state. Key elements of the works include but are not limited to:
- Essential upgrades to the refrigeration
  - Replacement of key items of mechanical and electrical plant which are reaching the end of their economic and environmental life
- 4.3 In addition to the essential repair and maintenance work much of the internal fabric of the Ice Rink is in need of refurbishment or replacement. The condition of the Ice Rink is considered to be one of the factors which have contributed to a recent downturn in usage of the facility and therefore income. A decision was taken by Cabinet to progress a procurement process following a soft market testing exercise in 2010. However in May 2011 the Leadership of the Council changed and as a result work on an in house option was commissioned in order to explore an improved business model which would see the income from the ice rink retained by the council and reinvested into the facility longer term and not lost to a private sector provider. The outsourcing option would have resulted in a £200K annual loss of income in order to secure the one off capital investment required to refurbish the rink.
- 4.4 The ice rink proposal seeks to capitalise upon and maximise the opportunities associated with the Southwater development by:
- Adding significant value to the developing leisure provision in Southwater: In July 2011, Cabinet approved a revised programme of works for Southwater which, amongst other things, encouraged a focus on leisure development. Specific approval was granted for the construction of a new retail unit to the front of the existing bowling & bingo building as well as the disposal of land adjacent to Southwater Square for the construction of a cinema, hotel and bars, restaurants and shops. A high quality ice rink provision will provide further support to the Southwater development as the leisure hub within Telford Town Centre.
  - Delivering an active frontage onto the new main street through the creation of a restaurant unit and a building extension for soft play thereby adding to a vibrant street scene.
  - Attracting visitors from across the region to Southwater, and in the process raising its profile and encouraging wider private sector investment.
- 4.5 Proposed improvements include:
- Replacement of the refrigeration plant to comply with legislative requirements
  - Replacement of the mechanical and electrical plant
  - Extension of the Ice Rink to provide a major soft play facility
  - Creation of a new customer entrance and reception area
  - Refurbishment of the boot hire area
  - Refurbishment of the toilets
  - Replacement of the ice rink barrier
  - Reinstatement of a bar

- Internal redecoration and replacement lighting
- Improved insulation and other energy efficiency measures which will reduce running costs

- 4.6 The scope and extent of refurbishment works has been tailored to focus on those elements which are in most need of urgent attention (e.g. ice pad) and those which are most likely to result in opportunities to increase revenue income (e.g. soft play, ice hockey).
- 4.7 It is considered that the inclusion of a Soft Play facility will provide an additional source of revenue whilst complementing the existing leisure offer within the Town Centre and the adjacent Town Park. The facility has been designed in such a way so as to maximise operational efficiencies through joint use of reception and catering facilities with the Ice Rink.
- 4.8 The existing Ice Rink foyer and bar area will be stripped out and reconfigured to provide a restaurant/retail unit with a an independent entrance off Main Street The restaurant unit will provide a viable addition to the Council's Property Investment Portfolio in return for an £777k investment in the project as detailed in Appendix a. The unit will be marketed and the end user will be responsible for fitting out the unit.
- 4.9 The Ice Rink building is also to be extended on its rear elevation to accommodate a new plant for the Ice Rink as well as create an energy centre which will provide power and heat to developments throughout Southwater. The integration of the energy centre into the Ice Rink utilises redundant space in the existing plant room and as such represents a cost effective solution to the delivery of this facility. It is anticipated that the energy centre will provide chilling and power to the ice rink and as such provides financial as well as environmental benefits. Costs associated with the energy centre were approved at Cabinet in July 2011 and are not included in the capital costs at Appendix 1.

## **5 IMPACT ASSESSMENT – ADDITIONAL INFORMATION**

### **5.1 Community Impact**

- 5.1.1 The Ice Rink is the Town's primary leisure provision for young people. On a typical Friday night over 500 young people will visit the Ice Rink and during peak periods, such as February half term, the Ice Rink attracts 700 plus visitors per session.
- 5.1.2 The facility hosts a number of high profile events such as the annual ice dance and ice speedway events and is home to the Telford Tigers Ice Hockey team. The proposed programme of works and closure has been planned to limit the impact upon these events and also to avoid the Ice Rink's busiest period of December to March.
- 5.1.3 Options are currently being investigated for the provision for a temporary ice rink facility, possibly within the Town Park, for the duration of the closure. Costs associated with this temporary provision are excluded from the figures in Appendix 1

### **5.2 Finance Value for Money**

- 5.2.1 The total capital cost of the refurbishment and extension works to the Ice Rink are £3.977million. This will be funded through prudential borrowing initially, however the requirement for borrowing will be reduced to £3.2million by 2014/15. The revenue cost of borrowing has been factored into the financial business case.
- 5.2.2 Appendix 1 identifies the revenue cost implications of the refurbishment and extension works to the Ice Rink. The model assumes that the current shortfalls against income targets will continue however £200k of this is already funded through the current base budget. This shortfall is recovered over future years in the model from additional income from the soft play facility, increased usage and pricing policies. The income projections are based upon historical data and benchmarking however there are a number of risk factors

in particular the current economic climate. The model also assumes a level of efficiency savings that will be generated through reduced staffing and utility costs.

- 5.2.3 In total for 2011/12 the financial model indicates there is a small additional cost to the Council of £8k due to the cost of borrowing. In 2012/13 the net cost rises to £259k mainly due to the cost of closure which is estimated to be a maximum of £100k, and the cost of borrowing which is £120k. For 2013/14 the total net cost reduced to £101k and is mainly due to the borrowing costs of £309k. By 2013/14 it is anticipated that efficiency savings of £190k will be delivered and additional income of £96k will be achieved. The cumulative budget shortfall between 2011/12 and 2013/14 is £368k. This cost would need to be built into the Council's budget strategy if approval is given to go ahead with this scheme.
- 5.2.4 In 2014/15 the projections indicate that there will be a net surplus of £21k which rises to £94k ongoing by 2016/17.

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### **5.3 Other Impacts and Risks**

- 5.3.1 Much of the ice rink mechanical and electrical plant is original and as such is considered to be beyond its reasonable economic life and the risk of breakdown is considered to be high.
- 5.3.2 In order to comply with regulations regarding the servicing of refrigeration plant, which came into force on 1 January 2010, the existing plant will need to be replaced by the end of 2014.
- 5.3.3 In order to allow for the reinstatement of a bar facility, which is considered essential to the ice rink business, it would be necessary to relocate the Ice Zone Learning Centre. Initial investigations are being carried out as to the possibility of relocating to other Council owned buildings. Costs for a temporary provision are excluded from Appendix 1.
- 5.3.4 The capital contribution from the Property Investment Portfolio is predicated on the achievement of a viable rental income for the restaurant unit.

## **6 PREVIOUS MINUTES**

- 6.1 Telford & Wrekin Council Cabinet 8<sup>th</sup> June 2010

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