

BRIGHTON & HOVE CITY COUNCIL
POLICY, RESOURCES & GROWTH COMMITTEE

4.00pm 28 JUNE 2018

HOVE TOWN HALL

MINUTES

Present: Councillors Yates (Chair), Hamilton (Deputy Chair), Janio (Opposition Spokesperson), Mac Cafferty (Group Spokesperson), Bell, Daniel, Mitchell, Peltzer Dunn, Wealls and Littman

PART ONE

22 PROCEDURAL BUSINESS

(a) Declarations of Substitutes

22.1 Councillor Littman was present in substitution for Councillor Sykes

(b) Declarations of Interest

22.2 The Chair said that he was a Board Member of LEP, and the Monitoring Officer had given him dispensation to speak and vote on Items 25 and 26.

(c) Exclusion of Press and Public

22.3 The Committee considered whether the press and public should be excluded from the meeting during the consideration of any of the items listed on the agenda.

22.4 **RESOLVED:** That the press and public be excluded from the meeting during consideration of the items contained in part two of the agenda.

23 CHAIR'S COMMUNICATIONS

23.1 The Chair advised that this meeting was being webcast live and would be capable of repeated viewing

24 PUBLIC INVOLVEMENT

24 (a) Petitions

24.1 There were none

24 (b) Written Questions

24.2 There were none

24 (c) Deputations

24.3 There were none

25 BRIGHTON I360 UPDATE

25.1 The Committee considered the report of the Executive Director Economy Environment & Culture regarding the Brighton i360. Also present at the meeting were four members of the Brighton i360 Ltd board: Mr S Becks (Executive Director), Ms J Barfield (Chair), Mr D Russell (Director) and Mr B Barfield (Director).

25.2 The Chair noted that this report also included information within Part Two (Item 26), and asked that the Committee avoid discussing those issues whilst the meeting was being held in public.

25.3 The Chair said that two amendments to the recommendations had been received, and the Green Group amendment would be taken first and the Conservative Group amendment second.

25.4 Councillor Mac Cafferty asked if the Board had requested a reduction in rent from the West Pier Trust. Mr Russell said it hadn't as the rent was felt to be fair and reasonable, as it was largely based on revenue from visitor numbers and was capped at £250k per annum.

25.5 Councillor Mac Cafferty asked if the visitor numbers were audited, and noted that recently the i360 had spent time raising its profile particularly for holding corporate and charity events and asked why that had not been done earlier. Mr Becks said that visitors were audited, and they now had a good idea of the visitors that the venue was attracting and where they were travelling from, and that allowed them to be more targeted in the marketing of the venue. There had recently been a restructure and a new head of sales and marketing had been appointed. Ms Barfield added that they had also spoken to experts in visitor attractions to make sure everything was being done to increase visitor numbers.

25.6 Councillor Wealls said that given the importance of this matter to the Council, it was frustrating that Councillors weren't involved earlier to assist with trying to finding a solution to the problems. He hoped that if the recommendations were agreed today, that communications with Councillors would be better in the future. The Executive Director Economy Environment & Culture said that it would, and said that progress updates would be given and reports come to future meetings of this committee.

25.7 Councillor Bell asked for a commitment from the Board to continue working with the West Pier Trust. Mr Russell said that they had a good working relationship with the Trust and were committed to working with them. He added that they had a one hundred year lease from the Trust, and the Trust owed them a considerable amount of money which was due to be repaid over the next three years.

- 25.8 Councillor Bell noted that the capital construction costs were 7.4% higher than expected and asked if that was above contingency. Mr Russell confirmed that it was above contingency. Ms Barfield said that any additional costs were absorbed by the Brighton i360 Ltd and not by the Council.
- 25.9 Councillor Bell noted that the rides were now operating every 30 minutes rather than 20 minutes, which would reduce potential visitor numbers by a third and based on the initial projection of 800,000 visitors that would be a reduction to 536,000, and as the number of visitors in the first year was 500,000 they were really only down by 36,000. Mr Russell said that the impact on the length of the ride was only on very busy days. Councillor Bell asked what the visitor numbers for the previous weekend, and was advised that 1000 on Friday, 1800 on Saturday and 1200 on Sunday.
- 25.10 Councillor Bell noted that the i360 had directly created 116 new jobs, of which 75% of those employees lived locally, and thanked them for that. He commented that the City would lose if an agreement could not be reached at this meeting.
- 25.11 Councillor Peltzer Dunn asked for a comment from the Board members on information contained in the Part Two papers. The Monitoring Officer said that there was a risk that if comments were made on the Part Two papers it would automatically bring information contained in there into Part One, and so if the Councillor wished to ask a question on that information the meeting would be need to go to Part Two.
- 25.12 Councillor Littman asked why the Board were only now developing strategies to boost visitor numbers on poor weather days. Mr Russell said that new initiatives for bad weather had been discussed for some time, but it had become a more serious problem this year.
- 25.13 Councillor Littman noted that it was hoped that the 'bad weather' strategies would increase numbers above 410,000, but the report also stated that 440,000 visitors were needed to in order to generate sufficient revenue. The Head of Project Finance said that the figure of 440,000 was from a report written in 2014, and now the number of visitors needed to break even was just under 400,000.
- 25.14 Councillor Littman referred to advanced bookings, and asked how realistic it was that people would pre-book given that the weather could not be guaranteed. Ms Barfield said that there were many people who came to the city regardless of the weather, for events such as conferences or hen and stag parties.
- 25.15 Councillor Mac Cafferty asked what the legal precedent was for leveraging public money to finance a commercial advisor who would work with the i360 Board, and would that set a precedent for other businesses with council contracts putting in similar requests. The Executive Director Economy Environment & Culture said that the intention was that the advisor would work for the Council but would be an observer on the Board and attend the Board meetings. This would ensure that the Council were looking at ways to improve the business and offer insight back us. The Monitoring Officer said that no precedent would be set and if other requests were received they would be considered on a one to one basis.

- 25.16 The Chair noted that there were no further questions for Part One, and asked if any Councillor wished to discuss the papers in Part Two. Councillor Peltzer Dunn said he did. The Committee therefore moved to Part Two, and the public asked to leave the Chamber.
- 25.17 The meeting reconvened to discuss the Part One report, and the public returned to the meeting.
- 25.18 The Chair asked the parties to propose their amendments, and confirmed that the Labour Group supported both the Conservative Group and Green Group amendments. He asked Councillor Mac Cafferty to propose his amendment.
- 25.19 Councillor Mac Cafferty said that the amendments he was proposing were quite moderate but would strengthen the proposals put forward by the Council to secure the attraction. It was vital that the Council receive a guarantee on future payments being made and the amendment was designed to strengthen the agreement already in place. It was important that Councillors be kept informed and amendment 2.1.5 would ensure that this Committee were kept fully apprised of the options set out in the report. The Green Group believed that cost of commissioning a specialist commercial adviser should be met by Brighton i360 Ltd, and therefore proposed in Amendment 2.1.8 that the cost of this were to the loan repayments. He said that the i360 was important to the city, and it was therefore important that the correct decisions were made.
- 25.20 Councillor Mac Cafferty proposed the following Green Group amendment, changes in italics:
- That the Committee:
- 2.1.1 Notes the financial and commercial performance of the i360 to date.
- 2.1.2 Notes the action so far taken by the i360 to reduce costs, increase visitor numbers and increase revenue generating capacity.
- 2.1.3 Agrees to defer £570,007.73 of the £1,492,304.25 due on 30 June 2018 until 31 December 2018 on the basis that the i360 will pay the council £922,296.52 to enable the council to pay the PWLB the same amount on the same day.
- 2.1.4 Agrees not to take default action at this stage in relation to the failure to hit the financial ratios set out in the loan agreement.
- 2.1.5 Notes that representatives of the council, LEP and i360 Board will meet regularly to discuss a long term restructuring of the loans and that a further report will be brought to PRG Committee on 6 December 2018, *if it is anticipated that the debtor will default in making December's payment, that the Committee be fully apprised of the options as set out in Section 4 of this report, including that BHCC enforces its security;*

2.1.6 Authorises the Executive Director Economy, Environment & Culture, in consultation with the Executive Director Finance & Resources, to commission a specialist commercial adviser to provide advice and options to the council for a long-term loan restructuring and advise on whether those proposals meet the market economy operator principle.

2.1.7 Authorises the Executive Director Economy, Environment & Culture, in consultation with the Executive Director Finance & Resources, after discussion with the i360 Board, to procure additional support (such as a commercial advisor with specialist experience of visitor attractions) for the i360 management and Board to help them improve the financial performance of the i360.

2.1.8 Allocates a sum of £50,000 from the Strategic Investment Fund to meet the costs of the recommendations at 2.1.6 and 2.1.7, *and that these costs are recovered with interest from the Brighton i360 Ltd by adding this sum to their loan repayments.*

25.21 Councillor Littman seconded the amendment. He said that a successful i360 would benefit the whole city, and the amendments ensured that all options would remain available.

25.22 The Chair asked Councillor Janio to propose the Conservative Group amendment.

25.23 Councillor Janio said that he believed that the decision taken a number of years ago to lend the money was the right decision, and it had brought many benefits to the city. He wanted to reassure the public that the Council were not letting the i360 off repaying any debt, but were restructuring the debt profile. It would be a bigger risk to insist that a payment was made now, and restructuring the loan was a sensible idea. As with the Green Group amendment, Amendment 2.1.9 was to ensure that the costs of commissioning a specialist commercial adviser were recouped. Amendment 2.1.10 allowed for the Council to receive a percentage of ticket sales over a set number of visitors, with the agreed level of be discussed. Amendment 2.1.11 was to ensure that in future Councillors were kept informed of progress, and Amendment 2.1.12 requested that an Urgency meeting of the Committee be convened if there were a material change of circumstances.

25.24 Councillor Janio proposed the following Conservative Group amendment:

To add additional recommendations 2.1.9 to 2.1.12.as shown in *italics* below:

2.1.9 Instructs Officers to seek to recover the full costs, detailed in 2.1.8, from the Brighton i360 Ltd and ensure that those costs are added to the debt.

2.1.10 Requests that Officers seek to negotiate, as part of any restructuring deal, agreement that BHCC will receive 25% of ticket sales, over an agreed level of visitor numbers.

2.1.11 Instruct Officers to present a progress report to the October meeting of this Committee, which outlines a full range of restructuring options that seeks to reduce the financial and reputational risk to the Council.

2.1.12 Requests that should there be a material change of circumstances resulting in a significant departure from the assumptions contained in this report that a urgency PRG committee be convened.

- 25.25 Councillor Wealls seconded the proposed amendments. He said that the i360 was a valuable asset to the city and it was important to ensure it continued. If visitor numbers fell below the 330,000 levels then the situation could become difficult and it was important that contingency plans were in place. He suggested that the Council speak to the West Pier Trust who he knew were keen to be involved.
- 25.26 Councillor Peltzer Dunn said that all the amendments were proposed to protect the financial interests of residents, and to share in the prosperity the i360 brought to the city.
- 25.27 Councillor Hamilton said the i360 was important and he hoped that it went from strength to strength.
- 25.28 The Chair said that the significant impact the i360 had had on the city should not be overlooked. The Council was not an institutional lender, but private investors had not wanted to undertake a joint venture with the public sector and their willingness to engage with the i360 was not there. The original target was to attract 440,000 visitors a year and we should be proud that the i360, along with officers, had moved themselves to a position where a lower number were needed to break even. The Council shouldn't get too obsessed with the number of visitors, but ensure that the i360 is servicing its debt and meeting its financial commitments to us.
- 25.29 The Committee voted on the Green Group amendment, and it was agreed.
- 25.30 The Committee voted on the Conservative Group amendment, and it was agreed.
- 25.31 RESOLVED:** That the Committee:
- (i) Noted the financial and commercial performance of the i360 to date.
 - (ii) Noted the action so far taken by the i360 to reduce costs, increase visitor numbers and increase revenue generating capacity.
 - (iii) Agreed to defer £570,007.73 of the £1,492,304.25 due on 30 June 2018 until 31 December 2018 on the basis that the i360 will pay the council £922,296.52 to enable the council to pay the PWLB the same amount on the same day.
 - (iv) Agreed not to take default action at this stage in relation to the failure to hit the financial ratios set out in the loan agreement.

- (v) Noted that representatives of the council, LEP and i360 Board will meet regularly to discuss a long term restructuring of the loans and that a further report will be brought to PRG Committee on 6 December 2018, if it is anticipated that the debtor will default in making December's payment, that the Committee be fully appraised of the options as set out in Section 4 of this report, including that BHCC enforces its security.
- (vi) Authorised the Executive Director Economy, Environment & Culture, in consultation with the Executive Director Finance & Resources, to commission a specialist commercial adviser to provide advice and options to the council for a long-term loan restructuring and advise on whether those proposals meet the market economy operator principle.
- (vii) Authorised the Executive Director Economy, Environment & Culture, in consultation with the Executive Director Finance & Resources, after discussion with the i360 Board, to procure additional support (such as a commercial advisor with specialist experience of visitor attractions) for the i360 management and Board to help them improve the financial performance of the i360.
- (viii) Allocated a sum of £50,000 from the Strategic Investment Fund to meet the costs of the recommendations at 2.1.6 and 2.1.7, and that these costs are recovered with interest from the Brighton i360 Ltd by adding this sum to their loan repayments.
- (ix) Instructed Officers to seek to recover the full costs, detailed in 2.1.8, from the Brighton i360 Ltd and ensure that those costs are added to the debt.
- (x) Requested that Officers seek to negotiate, as part of any restructuring deal, agreement that BHCC will receive 25% of ticket sales, over an agreed level of visitor numbers.
- (xi) Instructed Officers to present a progress report to the October meeting of this Committee, which outlines a full range of restructuring options that seeks to reduce the financial and reputational risk to the Council.
- (xii) Requested that should there be a material change of circumstances resulting in a significant departure from the assumptions contained in this report that an urgency PRG committee be convened.

The meeting concluded at 5.20pm

Signed

Chair

Dated this

day of