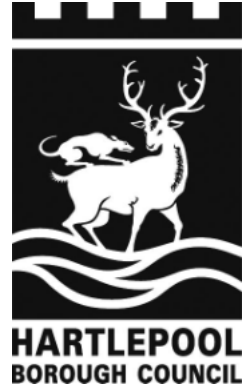


CABINET AGENDA



Monday, 4 October 2010

at 9.30 am

**in Committee Room B,
Civic Centre, Hartlepool**

MEMBERS: CABINET:

The Mayor, Stuart Drummond

Councillors Brash, Hall, Hargreaves, Hill, Jackson, Payne and H Thompson

1. APOLOGIES FOR ABSENCE

2. TO RECEIVE ANY DECLARATIONS OF INTEREST BY MEMBERS

3. MINUTES

3.1 To receive the Record of Decision in respect of the meeting held on 27th September 2010 (previously circulated)

3.2 To receive the Record of Decision in respect of the meeting of the Emergency Planning Joint Committee held on 23rd September 2010 (previously circulated)

4. BUDGET AND POLICY FRAMEWORK

No items

5. KEY DECISIONS

- 5.1 The Tall Ships Races 2010 – Outturn Position – *Director of Child and Adult Services and Chief Finance Officer*

6. OTHER ITEMS REQUIRING DECISION

No items

7. ITEMS FOR DISCUSSION/INFORMATION

No items

8. REPORTS FROM OVERVIEW OF SCRUTINY FORUMS

No items

CABINET REPORT

4 October 2010



Report of: Director of Child & Adult Services and Chief Finance Officer

Subject: The Tall Ships Races 2010 – Outturn Position

SUMMARY

1. PURPOSE OF REPORT

To report to Cabinet on the success of the event and to identify the budget out-turn and proposed strategy for managing the budget deficit.

2. SUMMARY OF CONTENTS

The report summarises the success of the event from a visitor and delivery perspective and provides an outturn budget position statement which indicates an unfunded deficit. The report highlights that part of the costs of staging the event would be funded from income generated during the event, this income is less than anticipated, the report provides details of the financial outturn and seeks agreement of the financial strategy for managing this position.

3. RELEVANCE TO CABINET

The Hartlepool Tall Ships Races 2010 is the largest event to have been held in Hartlepool and is a part of the Budget & Policy Framework.

4. TYPE OF DECISION

Key Decision reference number CE41/10, test (ii) applies.

5. DECISION MAKING ROUTE

Cabinet 4th October 2010 and Council 28th October 2010.

6. DECISION(S) REQUIRED

It is recommended that Cabinet approve the proposed funding strategy detailed in paragraph 5.1 and refer to Council for approval.

Report of: Director of Child & Adult Services and Chief Finance Officer

Subject: The Tall Ships Races 2010 – Outturn Position

1. PURPOSE OF REPORT

- 1.1 To report to Cabinet on the success of the event and to identify the budget out-turn and proposed strategy for managing the budget deficit.

2. BACKGROUND

- 2.1 Hartlepool was successful in being awarded The Tall Ship Races 2010 in June 2006 and measures were put in place to plan for the event which was held in Hartlepool between the 7th and 10th August 2010. The 2010 North Sea Races were held between Antwerp and Aalborg and then between Kristiansand and Hartlepool.
- 2.2 Overall the event was a huge success with an estimated 970,000 visitors making it England's largest free event in 2010. We have been overwhelmed with the sheer volume of positive comments received from people living in Hartlepool and from visitors from all over the country.
- 2.3 Feedback from Sail Training International (STI), the organizers of The Tall Ships Races, was glowing and officials have said how impressed they were. This is encouraging as it demonstrates that from an STI perspective Hartlepool has been seen to deliver. The Tall Ships captains and crew were highly delighted with the crew activity programme, the entertainment on site and in particular, the impressive Captain's Dinner in the Borough Hall. This part of the event used the town's assets to best advantage and successfully married the port estate, the marina and the heritage and cultural attractions of the town together to best advantage which has left a good impression of the town with the visitor and made local people proud of the town that they live in.
- 2.4 Media coverage of the event was extensive and hugely positive showing the town in the very best light. This was in large part due to the support of our media partners, Real Radio, Hartlepool Mail and Radio Hartlepool, along with hundreds of other local, regional and national and international media that we welcomed through the official Media Centre. Of course the promotion continues as post event coverage is being printed in a variety of media and not forgetting the tremendous coverage on twitter, facebook and web sites such as flickr etc. Early indications confirm that the value of media coverage exceeds well over £3m and rising. The website records show very

high viewing figures, particularly during the days of the event where hits to the website surpassed those to visit Britain.

- 2.5 The event proved to be a safe and well managed event for the welfare of the visitor and participants with any incidents being efficiently addressed by the emergency medical aid agencies. Concerns regarding travel and congestion either failed to emerge or were mitigated where necessary due to the contingency measures in place, this being despite Highway Agency projections. Although a member of the Safety Advisory Group, the Highways Agency placed real pressure on the Authority to make additional contingency arrangements very late in the day. Highway Agency costs of £67,000 were presented as a fait accompli for their Highway Network arrangements. This also had a knock on effect and increased our costs for Hatton, our traffic management company.
- 2.6 It is important to report that we have received complaints and it is acknowledged that there are areas that we would seek to do differently in any future large scale event. The complaints can be categorized into three main areas;- condition of the ground in part of the Tall Ships Village, a lack of seating and the distances that people had to walk to explore the whole event. Whilst a reactive message was placed on the event web site over the weekend to assist in giving advice and reminders, it is acknowledged that other mitigating measures could, with hindsight, have been taken. That said, these issues must be put into the context of the size and overall success of the event. The preliminary results of visitor evaluation indicate satisfaction rates in excess of 90% and a high intent from out of area visitors intending to visit Hartlepool and the Tees Valley in the future. A brief summary of what went well, what we can learn, headline facts & figures and initial findings from the visitor survey are attached at **Appendix 1**.
- 2.7 The full impact and economic benefit of the event to the town and sub region will emerge from the Event Evaluation and Economic Impact Study currently being undertaken and due for delivery at the end of October.

3. FINANCIAL PLANNING & HISTORY

- 3.1 In February 2007 full Council approved the Council's 2007/08 Medium Term Financial Strategy (MTFS). The report advised Members that the costs of hosting the Tall Ships event had not been quantified and this work would need to be completed as the Council developed a detailed plan for the event and confirmed the level of external funding for the event. At that time Council was advised that a one-off benefit of £800,000 had recently been achieved from a partial restructuring of the Council's debt, which had been undertaken in accordance with the approved Treasury Management Strategy. Council approved the proposal to earmark this amount as an initial contribution towards the cost of the Tall Ships event.
- 3.2 Following approval of the 2007/08 budget officers began developing a detailed plan for the event and also sought external funding. A key

component of this work was confirmation of a grant from ONE of £775,000. Although it was less than the grant previously provided when Newcastle/Gateshead held the event at well over £1m in 2005, it represented the outcome of significant negotiations, an original offer of £500,000 was increased to £775,000 in Sept 2008 following submission of our final formal business case. The lower contribution for the Hartlepool event reflected the financial position of ONE and other commitments against their budgets.

- 3.3 The financial position for the Tall Ships event was reviewed as part of the 2009/10 budget process and details reported to Cabinet and Council in February 2009. This report advised Members of the risk of potential income shortfalls, including adverse weather during the event. To manage this issue a specific risk reserve of £500,000 was established. This was funded from additional investment income generated on the Council's reserves and cash flows.
- 3.4 In February 2010 Cabinet and Council considered the 2010/11 MTFs and resolved that as the Tall Ships income risks still existed that the income risk reserve of £500,000 should be maintained. Members were also advised that officers had investigated the possibility of insurance cover for the income risk and were advised that cover was not available. This position reflects the fact that insurance is only available where income is known in advance based on ticket sales, as insurance underwriters can assess risk and therefore determine an insurance premium. In relation to the Tall Ships event the parking income could not, in insurance terms, be assessed in advance of the event. Therefore, insurance underwriters could not assess the risk and were therefore unable to provide insurance cover. The report therefore advised Members that this risk still existed and would need to be managed by the Council in the event that it became a reality.
- 3.5 As indicated in the previous paragraphs the Council was able to set resources aside for the Tall Ships event from one-off benefits accruing from Treasury Management activities. This avoided these commitments being a call on the Council's core revenue budget over the period 2007/08 to 2009/10 and therefore protected existing services from the impact of this flag ship event.

4. **TALL SHIPS DELIVERY COSTS**

- 4.1 The development of the project was managed through a Tall Ships Office and six workstream areas, all with experienced and appropriate specialist representatives on their groups. The activity and spending pattern of each workstream varied enormously, some, such as the Tall Ships Office had commitments from day one, over a four year period from when the project was awarded, others such as the Fleet Technical and Safety Advisory Group were very much later commitments which reflected the event delivery, particularly the last 3 months of the planning process.

4.2 As Members will appreciate the Tall Ships visit was an extremely complex event and took over 3 years of detailed planning to ensure the event was successful and safe. Over the last few weeks officers have been working to produce a detailed financial outturn for the event as detailed in **Appendix 2**. The financial outturn statement shows that the total cost of the Tall Ships event came in on budget, although the whole of the budget held as a contingency was needed to meet increased costs arising from mainly two Workstream areas. Well-documented concerns about anticipated traffic congestion led to increased signage and staffing input from the Highways Agency and Hatton Traffic Management, and the decision to provide an enhanced rail service and contingency buses, both generated significant additional costs to Transport & Travel workstream. In addition the recruitment of a professional site management team and the increased cost of essential infrastructure and support such as power, fencing, toilets and stewarding generated additional costs to the Event Management workstream. It will be helpful to identify the detailed areas being undertaken within each workstream area and the forecast out-turn:

- (i) Tall Ships project office – Sail Training International contract fees and costs, joint host port activity, project staff & administration costs, Fleet Social programme, evaluation/economic impact study, fleet liaison & volunteer costs and trainee recruitment. Total - £735k
- (ii) Transport & Travel – Waste removal & cleansing, event car parking infrastructure and shuttle bus costs, road closure costs, coach parking, rail services, cycling, Highways Agency, vat on event car parking income. Total - £756k
- (iii) Fleet Technical – ships waste, mooring arrangements, dredging, RIBS, media / liaison vessels, pilotage, laundry service. Total - £165k
- (iv) Safety Advisory Group – police, PCT, NEAS/St Johns/Red Cross, fire service, event control, CCTV. Total - £366k
- (v) Event Management – entertainment, fireworks, site power, site water, ICT, Portacabin units town wide, staging, sound & lighting, big screens, site pa, marquees, site fencing, toilets, event staff, stewarding & security, site manager, village site preparation. Total - £1.307m
- (vi) Marketing & Communications – marketing, site info, pr costs, publicity, advertising, media costs, helicopter hire. Total - £362k
- (vii) Finance & Legal – licensing, fund raiser fees, sponsorship package costs, insurances. Total - £243k

The total project cost is identified as £3.934m.

4.3 The project could only have been delivered with a substantial level of income from grants, sponsorship, site fees and earned income. Whilst the delivery costs increased towards the event period due to the need to meet emerging risk and safety factors identified by the Management Group or imposed by outside agencies, the project remained broadly 'in balance' provided the income streams, those secured and those anticipated, held up. Cost increases were funded from the contingency provision included within the overall project budget as it was always known such a complex event needed financial flexibility. This was identified as a significant risk factor from the

outset and was to some degree mitigated by the financial planning put in place over the planning period.

- 4.4 Allowing for last minute cost increases as we entered the event weekend we anticipated a deficit of £123,000. A provisional financial outturn position for the event indicates an actual worst case unfunded deficit of £0.72m, as detailed in **Appendix 2**. The main reason for this deficit is owing to income shortfalls and the main variances in income projections are detailed in the following paragraphs;-
- 4.5 As detailed in **Appendix 2** the greatest shortfall in anticipated income occurred within event parking income. This is partly due to alternative parking arrangements being made within the town at a variety of sites, an obvious lower take up than anticipated at the event parking facilities and visitors effectively finding alternative means to access the event. Why did this occur and should it have been anticipated? The research and preplanning identified the important role the Park and Ride facilities played elsewhere. However every event and city is different, park & ride intelligence from Liverpool and Newcastle for instance, was not particularly transferable as these are major cities with large public transport infrastructure. Hartlepool does not have this and therefore Park and Ride provision was deemed to be particularly important, furthermore this was a one off event and we could not be left exposed, particularly with the demands of the Highways Agency.
- 4.6 Income from corporate trading was some £65k below the estimate of £80k due to a resistance or simply lack of desire to purchase souvenir clothing, programmes, merchandise and corporate hospitality. Income from site fees was also affected by contractual issues within catering services. Similarly a profit share arrangement with the site bar trader will fail to secure the anticipated level of additional income due to a lack of expected trading levels. A combined shortfall of £114k below the estimate of £352k.

5. **PROPOSED STRATEGY FOR MANAGING TALL SHIPS OUTTURN**

- 5.1 A funding strategy needs to be developed to address the unfunded deficit for the event of £0.72m. The strategy will need to avoid this issue impacting on the ongoing delivery of services. It is therefore, suggested that this amount is funded in the following order of priority:
- (i) £0.4m from lower borrowing costs and higher investment returns. As reported when the strategy for managing the in-year Area Based Grant cuts was prepared an initial assessment of borrowing costs and investment income indicated there would be a benefit to the Council in the current year from lower net borrowing costs. Further work has now been completed to reflect the position for the first six months of the financial year and the expected position for the remainder of the year. This indicates that there will be a higher benefit for the full year owing to interest rates for the Councils borrowing being less than expected

owing to continued favourable interest rate structures which mean it is more cost effective to delay long term borrowing. This is being achieved by netting down investments and borrowings. As reported previously this strategy is not sustainable as the level of investments will reduce as the Council use its reserves to support the revenue budget and to meet planned one-off commitments. As this happens the Council will need to undertake external borrowing and this will be at a higher cost than the current strategy and mean that the actual costs of financing long term borrowing increase, although these costs are expected to remain within the existing budget provision, provided increases in interest rates do not exceed forecast levels;

- (ii) £0.1m from a reduction in the provision earmarked for Compulsory Purchase Order final settlements. The Council has previously set aside resources to meet these potential liabilities. Agreement was reached on Sept 16th September to settle the main outstanding liability and as a result the provision can be reduced by £0.1m.
- (iii) Allocate any in-year revenue departmental underspends towards the remaining deficit, subject to these amounts not being needed to address specific timing issues relating to the underspend. The first forecast outturns will be prepared as part of the half year financial management report and this work will be undertaken in October. Therefore, at this stage it is not possible to quantify if there will be any resources available from departmental underspends to offset this deficit and details will be reported to a future Cabinet meeting; it is therefore not yet possible to quantify if there will be any resources available to support this deficit;
- (iv) Allocate any uncommitted one-off resources currently earmarked to fund termination costs arising from implementing the strategy to address the Area Based grant cuts towards the remaining deficit. The potential Area Based grant termination costs are currently being quantified and will be reported to a future Cabinet meeting. It is therefore not yet possible to quantify if there will be any resources available to support this deficit;

6. CONCLUSION

The event must be put into context in that it has been described as the largest free event in England in 2010, the size and complexity of the event was evident to all who visited Hartlepool during the 5th - 10th of August which attracted much complimentary feedback from both visitors and resident alike. The event proved to be an enormous success with tremendous coverage in the media which has greatly assisted in changing public perceptions of Hartlepool and placing the town 'centre stage' for all the right reasons. The publication of the Economic Impact Assessment is awaited, however, this is anticipated to confirm an equally positive message. It is accepted that an event of this size will have its share of issues and problems, these have

been proportional and have not undermined the overall positive nature of the whole experience.

The identified budget outturn is a significant disappointment and reflects the risks associated in undertaking and delivering an event of this complexity, where so many partners and agencies bring valid issues and evolving demands to the developing delivery schedule. The lack of expected income from event parking in particular, has caused the most significant budgetary pressure and the proposed strategy seeks to address the unfunded deficit of £0.72m which has resulted.

The true economic benefits that will result from Hartlepool having the foresight and ability to deliver this major International event will take time to emerge, it is to be hoped that the short term costs will be offset by long term benefits and improved reputation for Hartlepool, the sub region and the North East as a whole.

7. RECOMMENDATIONS

- 7.1 It is recommended that Cabinet approve the proposed funding strategy detailed in paragraph 5.1 and refer to Council for approval.

Appendix 1

What went well

- Little disruption to town centre movement due to procurement of an experienced **traffic management** company, Hatton, and traffic management measures put in place.
- A **safe event** with few incidents requiring police intervention, and no serious casualties.
- Extensive **positive media coverage** generated through integrated marketing and PR campaign and joint working with visitTeesvalley and One NorthEast.
- Successful **volunteer programme** implemented to support fleet activity.
- Good working relationships built up across HBC departments and external partners during planning stages resulting in **good partnership working** during event.
- Recruitment of **experienced Site Manager** with large scale events experience gained at Glastonbury and other Tall Ships events.
- **Increased pride** in the town by local people.
- **Official Tall Ships website** was well promoted and well used as a source of information about the event. Social networking, e.g. facebook and Twitter proved popular.

What we can learn for the future

- **More event staff** on the ground at a future large scale event to support the needs of traders, exhibitors and sponsors.
- Insufficient clarity in the pre-event publicity as to the **size and complexity of the site** and in particular the distance from the event car parking sites to the Tall Ships Village. This affected visitors from out of town in particular and those people not used to attending large scale events.
- **More seating** should be have been considered particularly as the whole site encompassed such a large area - Harbour Walk, Marina, Navigation Point, berthing at PD Ports, Tall Ships Village.
- **Ground surface conditions** on a part of the Tall Ships Village site were not ideal for wheelchairs and pushchairs and if using a working commercial port again, this would need to be rectified.

Facts and figures

Estimated numbers of visitors Wed 4 th – Tues 10 th Aug	970,000
Participating Tall Ships	59, of which 21 were class A vessels
Numbers of volunteers recruited and trained	275 of which 43% were from Hartlepool
Value of print coverage generated	£1.23m
Value of TV and radio coverage generated	£1.866m

Initial findings from visitor survey

Origin of visitors	27% Hartlepool; 42% TV; 65% NE; 14% Y'shire; c21% rest of UK
% visitors whose expectations were met or exceeded	90%
% visitors who thought Tall Ships Village was good or very good	83%
% visitors who thought atmosphere was good or very good	94%
% visitors likely to visit the following in future	79% Hartlepool; 76% Tees Valley; 78% North East

Appendix 2**TALL SHIPS SUMMARY FINANCIAL POSITION**

	Estimate as of 3rd Aug 2010 £ '000	Forecast Out-turn £'000
<u>Expenditure</u>		
Tall Ships Office	735	735
Transport and Travel	708	748
VAT payable on event parking income	92	8
Fleet Technical	163	165
Safety Advisory Group	376	366
Event Management	1,257	1,307
Marketing and Comms	362	362
Finance/Legal	243	243
TOTAL EXPENDITURE	3,936	3,934

	Estimate as of 3rd Aug 2010 £ '000	Forecast Out-turn £'000
<u>Income and Funding</u>		
Income from event car parking @ £10 per car	1,200	200
HBC Contribution	800	800
ONE Contribution	775	775
Income from other sources, site fees, sponsorship, PCT etc.	1,037	819
Income Risk Reserve	0	500
Windfall Adult and Community Services income	0	120
TOTAL INCOME AND FUNDING	3,812	3,214

FORECAST UNFUNDED DEFICIT	720
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