



LEE VALLEY REGIONAL PARK AUTHORITY
EXECUTIVE COMMITTEE
17 DECEMBER 2015 AT 11:30

Agenda Item No:

6

Report No:

E/431/15

ICE CENTRE FEASIBILITY STUDY – PHASE 3 PART 1

Presented by the Chief Executive

EXECUTIVE SUMMARY

In May 2015 (paper E/404/15) Members were presented with the findings of the first two phases of the Ice Centre feasibility study and approved funding to undertake a two part final stage of feasibility. Phase three is to ascertain the viability of the business model and make a recommendation for a site within the Lee Valley to house the potential development.

This report details the part one findings which has determined that there is a robust and viable business model for a new twin pad ice venue and seeks Member approval to undertake part two of the feasibility works.

RECOMMENDATIONS

- Members Approve:
- (1) the preferred business model option as detailed in paragraphs 12 & 13 of this report; and
 - (2) the commencement of part two.

BACKGROUND

- 1 In May 2015 (paper E/404/15) Members approved funding (£50,000) to undertake a two part final stage of feasibility to ascertain viability of the business model and a recommended site to house the potential development. In August 2015 following an open tender process, two consultants collaborating to produce the two pieces of work required were appointed, IPW... (who conducted phases one and two) and Wrenbridge Sport. The two consultancies have worked together before on ice projects similar to the work the Authority is undertaking.
- 2 This third phase builds upon earlier evaluation work and is being undertaken as two distinct pieces of work.

Phase three, part one; agree the scope for any new development or refurbishment:

- reviewing existing Lee Valley Ice Centre (LVIC) performance;
- an initial review of site suitability for both ice development and enabling commercial uses;
- investigating facility mix considerations including ice development options

- and other leisure / commercial uses;
- developing outline costs to deliver new development;
- consulting National Governing Bodies and other stakeholders;
- preparing business plan projections including:
 - expected level of demand and income;
 - projected expenditure;
 - sensitivity analysis.
- advising on funding scenarios.

Phase three, part two; progress on part two is dependent on the outputs and outcomes of part one. If part one identifies a credible and viable scheme then part two will look at potential sites and the consultant will be required to develop a weighted matrix on which an informed decision can be made relating to the preferred location of any new development:

- potential sites;
 - a weighted matrix which highlights the chosen site and rationale behind this decision.
- 3 The feasibility study is now at the point where stage one has been completed and this report summarises the findings and the recommended next steps.

SUMMARY OF PART ONE FINDINGS

- 4 The LVIC continues to be a popular and well used facility with five years of financial improvements. 2014/2015 operating surplus was c.£130,000 and is projected to improve upon this for 2015/2016.
- 5 The LVIC runs a balanced ice programme optimising the Authority's remit whilst being as commercial as it can within the restrictions of a 30 year old single pad facility.
- 6 Through the process of part one the project team in conjunction with the Member Working Group have refined its objectives for any future ice provision in the Lee Valley which are detailed below:
- a modern and viable ice solution which must perform at least as well financially as the current LVIC;
 - an ice focused, public orientated facility with ice sports at its core;
 - a commercially driven community focused rink;
 - a rink which has regional relevance and profile but with the potential for international events;
 - a facility that complements rather than competes with current facilities, particularly within the Lee Valley;
 - an accessible location which addresses population and transport patterns.

These objectives were approved by the Member Working Group in November 2015.

- 7 The project team along with the Member Working Group have determined a set of core uses and facility make-ups to form the basis of the business model. This involved a process of ruling in and out certain areas which are detailed below:

Ruled In		Ruled Out	
Tier 2 world/ European ice events (eg World Short Course Speed Skating, British C'ship)	✓	Tier 1 world/ European ice events (eg IIHF World C'ship, World Figure Skating C'ship)	✗
English Premier Ice Hockey tenant	✓	Elite League ice hockey tenant	✗
Concerts/ other events (up to 3,500 cap) – <i>subject to capital cost implications</i>	✓	Major touring concerts/ events (over 4,000 cap)	✗
Public skating	✓	Kontinental Hockey League	✗
Recreational and junior ice hockey	✓	Conferences/ exhibitions	✗
Elite figure skating training	✓		
Curling and other ice sports training	✓		

- 8 Based on the scale and composition of the catchment, together with the current levels of throughput (relative to domestic competitors) it's the consultants view that the Lee Valley has an excellent ice market with significant opportunity for growth if more ice time was available. Findings are based on detailed work including:
- consultation with key ice related stakeholders such as the National Ice Skating Association (NISA) and the English Ice Hockey Association (EIHA);
 - benchmarking programme capacity's with other domestic based ice facilities;
 - an analysis of the per capita ice rink provision which demonstrated London rink provision per capita being below the national average and ranked seventh out of the nine Sport England regions. A new twin pad would bring London in line with the national average;
 - projected population growths.
- 9 With the balanced programme that is required a single pad does not present the current venue with the opportunities to be as commercial in its programming as some of the domestic commercial ice operators. Creating a twin pad option would allow a more commercial focus whilst not conflicting with the Regional Park's wider remit.
- 10 As a basis for the business modelling exercise, four scenarios have been developed:
- Scenario 1 – The Status quo – current single pad LVIC;
 - Scenario 2 – New Olympic pad (60x30) to replace existing LVIC;
 - Scenario 3 – New Olympic pad alongside the current LVIC;
 - Scenario 4 – New twin pad Olympic rink.
- Scenarios 1 & 3 are site specific options, since they are reliant on retaining the existing LVIC (in one form or another). Scenarios 2 & 4 are not site specific and could be located elsewhere within the Authority's land holding which will be looked at in detail should Members approve part two.
- 11 All the new build scenarios 2 - 4 contain the same core components and commercial facilities including:
- 2,500 capacity arena as the primary rink (further work on flexibility of increasing seating to be undertaken in part two);

- minimal (under 200 seats) capacity in secondary rink;
- enhanced café/bar facilities;
- changing rooms specific to the two individual pads and flexible programme;
- 60 station health & fitness gym;
- flexible dance study, meeting room, boxes and party room space;
- storage and other ancillary facilities;
- a footprint of 7,000 meters square (Scenario 4 only).

This wider facility mix is designed to increase the commerciality of the overall rink offer, boost the regional relevance and decrease the reliance on public skating being the primary source of income. This further increases the flexibility and future proofing of any new ice provision.

- 12 Based on the business modelling exercise that has been undertaken for each of the above scenarios there is potential to deliver a significantly improved surplus position which is detailed below:

In House model

	Scenario 1	Scenario 2	Scenario 3	Scenario 4
Income				
Public skating & courses	£668,700	£735,600	£951,700	£951,700
Coaching, hockey & patch	£298,800	£341,500	£543,000	£552,900
Other income	£89,700	£126,700	£182,000	£203,800
Gym income	£0	£510,000	£510,000	£510,000
Catering income (net)	£28,900	£53,700	£70,000	£82,300
TOTAL	£1,086,100	£1,767,500	£2,256,700	£2,300,700
Expenditure				
Employees	£384,500	£556,500	£628,500	£633,500
Premises related expenditure	£297,800	£295,300	£491,100	£414,100
Supplies & Services	£122,200	£252,600	£294,900	£302,000
Other operational costs	£64,100	£112,500	£180,900	£188,400
Lifecycle contribution	£58,000	£128,500	£125,500	£202,200
Irrecoverable VAT	-	-	-	-
TOTAL	£926,600	£1,345,400	£1,720,900	£1,738,200
SURPLUS	£159,500	£422,100	£535,800	£560,500

Trust operated model

	Scenario 1	Scenario 2	Scenario 3	Scenario 4
Income				
Public skating & courses	£771,200	£848,400	£1,101,400	£1,101,400
Coaching, hockey & patch	£358,600	£409,800	£651,600	£663,500
Other income	£107,000	£150,000	£213,400	£236,600
Gym income	£0	£612,000	£612,000	£612,000
Catering income (net)	£28,900	£53,700	£70,000	£82,300
TOTAL	£1,265,700	£2,073,900	£2,648,400	£2,695,800
Expenditure				
Employees	£384,500	£556,500	£628,500	£633,500
Premises related expenditure	£297,800	£295,300	£491,100	£414,100
Supplies & Services	£122,200	£252,600	£294,900	£302,000
Other operational costs	£43,200	£86,700	£115,300	£118,800

Lifecycle contribution	£58,000	£128,500	£125,500	£202,200
Irrecoverable VAT	£79,500	£130,100	£175,200	£177,000
TOTAL	£985,200	£1,449,700	£1,830,500	£1,847,600
SURPLUS	£280,500	£624,200	£818,100	£848,200

- 13 The highest projected annual surplus is achieved under scenario 4:
- c.£560,500 under the in house operated model;
 - c.£848,200 under a Trust operated model.

THE PROJECTED BUILD COSTS

- 14 The projected build costs associated with each of the four scenarios are detailed in the tables below.

Summary of capital costs

	Description	Single/ twin pad	Projected outturn cost
1	Status quo – current LV Ice Centre	Single pad	£5,000,000
2	New Olympic pad (60x30m) to replace LV Ice Centre	Single pad	£15,325,000
3	New Olympic pad alongside existing LV Ice Centre	Twin pad	£19,725,000
4	New twin pad Olympic rink	Twin pad	£24,400,000

NB Scenarios 1 & 3 include for an estimated £5m capital investment in the retained LV Ice Centre facility.

Capital costs projection

Cost element	Scenario 1	Scenario 2	Scenario 3	Scenario 4
Venue		£11,500,000	£11,200,000	£18,700,000
External works & services		£800,000	£700,000	£1,000,000
Loose FF&E		£325,000	£325,000	£500,000
Professional fees (10%)		£1,300,000	£1,200,000	£2,000,000
Design reserve & contingency (10%)		£1,400,000	£1,300,000	£2,200,000
Refurbishment of existing LVIC	£5,000,000	-	£5,000,000	-
Outturn cost (rounded)	£5,000,000	£15,325,000	£19,725,000	£24,400,000

- 15 The above table presents the indicative build costs based on the consultants expertise and the delivery of comparable projects. The capital costs are indicative at this stage and should part two be approved to go ahead more detailed analysis will be undertaken.

FUNDING OPTIONS

- 16 There are a number of funding sources available to raise the capital required to deliver any of the four potential scenarios with funding mix's to consider as follows:

- capital operating surplus;
- Authority internal capital investment;
- enabling development;
- grant funding.

- 17 The table below summarises a potential funding mix for the Trust operating model which is the most financially viable option as detailed above:

Potential funding mix for an in house model

<i>In-house management</i>	Scenario 1	Scenario 2	Scenario 3	Scenario 4
Outturn cost	£5,000,000	£15,325,000	£19,725,000	£24,400,000
Projected operating surplus	£159,500	£422,100	£535,800	£560,500
Sum borrowed based on level of additional surplus#	0	£4,500,000	£6,400,000	£6,800,000
Grant funding*	-	-	-	-
LVRPA capital funding (max £7.5m)~	£5,000,000	£7,500,000	£7,500,000	£7,500,000
Enabling development/ other funding required	£0	£3,325,000	£5,825,000	£10,100,000

Potential funding mix for a Trust operated model

<i>Trust management</i>	Scenario 1	Scenario 2	Scenario 3	Scenario 4
Outturn cost	£5,000,000	£15,325,000	£19,725,000	£24,400,000
Projected operating surplus	£280,500	£624,200	£818,100	£848,200
Sum borrowed based on level of additional surplus#	0	£5,900,000	£9,200,000	£9,700,000
Grant funding*	-	-	-	-
LVRPA capital funding (max £7.5m) ~	£5,000,000	£7,500,000	£7,500,000	£7,500,000
Enabling development/ other funding required	£0	£1,925,000	£3,025,000	£7,200,000

Based on PWLB rates at 18/11/2015, 25 year borrowing on annuity basis. The difference between the current surplus and projected surplus in scenarios 2-4 has been used to determine a maximum level for borrowing.

*Excluded at this stage for prudence. Further discussion required with prospective grant funders

~ Maximum of £7.5m LVRPA capital contribution for indicative purposes only

- 18 Scenarios 1 & 3 involve the existing facility being fully refurbished which is estimated to be £5,000,000. This would extend the building life by an estimated 10 years of operation but further work will be conducted on this refurbishment figure if Members approve the part two works.
- 19 Scenario 4 in its current modelling would require the Authority to identify enabling capital to bridge the projected funding gap. Part two will continue this detailed work assessing opportunities across the Authority's land holdings to support the delivery of this project.
- 20 There is also a number of external capital funding options that officers can investigate in more detail which include:
- borrowing against more or the full projected operating surplus;
 - Sport England grant;

- partnership funding from other public bodies;
- commercial rights, naming rights etc.

POTENTIAL NEXT STEPS & RECOMMENDATION

21 Part two will require a series of tasks to be undertaken which include:

- refining the current prospective site shortlist which is currently Lee Valley Waterworks; Lee Valley Ice Centre; Pickets Lock; and the development platform at Lee Valley Hockey and Tennis Centre;
- develop and apply a site evaluation matrix to identify the optimum site;
- prepare an indicative site master plan showing the potential rinks fit on the site along with any ancillary facilities e.g., car park and access yard;
- develop the funding mix assumptions and key considerations related to enabling development;
- refine the business plan and projected capital costs for the preferred option based on the preferred rink location.

22 It is officer's recommendation that part two works should be approved and that a focus should be on developing scenarios 3 & 4 to further explore the potential delivery of a twin ice pad solution within the Lee Valley.

ENVIRONMENTAL IMPLICATIONS

23 There are no environmental implications arising directly from the recommendations in this report.

FINANCIAL IMPLICATIONS

24 There are no environmental implications arising directly from the recommendations in this report.

HUMAN RESOURCE IMPLICATIONS

25 There are no human resource implications arising directly from the recommendations in this report.

LEGAL IMPLICATIONS

26 There are no legal implications arising directly from the recommendations in this report.

RISK MANAGEMENT IMPLICATIONS

27 There are no risk management implications arising directly from the recommendations in this report.

EQUALITY IMPLICATIONS

28 There are no equality implications arising directly from the recommendations in this report.

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PREVIOUS COMMITTEE REPORTS

Executive Committee	E/203/12	Review of the Lee Valley Ice Centre	19 April 2012
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LIST OF ABBREVIATIONS

LVIC	Lee Valley Ice Centre
SE	Sport England
NISA	National Ice Skating Association
EIHA	English Ice Hockey Association