

Subject: i360 Loan Agreement
Date of Meeting: 12 July 2012
REPORT OF: Strategic Director Place & Director of Finance
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Key Decision: Yes
Wards Affected: Regency &
seafront wards

FOR GENERAL RELEASE

1.0 SUMMARY

- 1.1 The following report provides details of the commercial loan arrangements which have been negotiated by council officers with Brighton i360 Ltd – the company that will build and operate the Brighton i360.
- 1.2 The Brighton i360 has planning permission to proceed, construction contracts in place and the ability to start on site before the end of the year. The due diligence conducted by the council (including a full analysis of projected attendance forecasts) has confirmed a robust business case is in place and the company's projected income figures are realistic and achievable.
- 1.3 Funding in the form of a loan from the Government's Growing Places Fund has been recommended for final approval by the LEP Investment Committee.
- 1.4 The Cabinet report in May agreed that a commercial loan to the project was now the favoured way forward in order to ensure that the city was able to complete the regeneration of the seafront, deliver a wider improvement to the public realm and redundant arches to the east and west of the site, and most importantly of all create a sustainable and iconic new seafront destination for the city.
- 1.5 At the time of the writing it is anticipated that there will be a late Part II report to provide further commercially sensitive information not available prior to agenda dispatch.

2. RECOMMENDATIONS:

- 2.1 To note the structure and terms of the loan that have been agreed to date as set out in paragraphs: 4.2, 4.3, 4.7 and 4.8.
- 2.2 To authorise Directors of Finance and Place, after consultation with the Chair of Policy and Resources Committee to finalise terms and enter into the proposed loan agreement with Brighton i360 Ltd with a target of financial close by mid September 2012 and to take all steps necessary or incidental to the completion and implementation of the agreement.
- 2.3 To authorise the Head of Legal and Democratic Services to complete all necessary documentation and take all necessary action to effect completion of the proposed loan.
- 2.4 To approve the inclusion of the commercial loan to Brighton i360 Ltd in the Capital Resources and Capital Investment Programme 2012/13 (and the following two years' capital programmes) to be funded through unsupported borrowing.

3. RELEVANT BACKGROUND INFORMATION/CHRONOLOGY OF KEY EVENTS:

Summary and policy context

- 3.1 On 10 May 2012 a report to Cabinet received approval for officers to enter into formal negotiations with Brighton i360 Ltd regarding detailed loan financing terms. A positive outcome of a bid to the Growing Places Fund run by the Coast to Capital Local Enterprise Partnership (C2C LEP) for £3m had been received for the project on 25 April 2012. The Cabinet report detailed the case for the council's ongoing support of the i360 project and the proposal for a commercial loan to be made to the project. A copy of that report is attached as Appendix One. A further report was considered by the Audit & Standards Committee at its meeting of 26 June 2012 setting out the approach being taken to risk management and due diligence in relation to this project.

The Brighton i360 - Project description/history

- 3.2 The Brighton i360 is a visitor attraction designed and promoted by the original team behind the London Eye. The idea behind the i360 has always been to create a similar iconic viewing experience to the London Eye but with significantly lower construction and operating costs. The i360 therefore comes with the benefits of the lessons learnt from the construction and operation of the London Eye.
- 3.3 As a successful and established tourist destination in its own right, the i360 team saw that Brighton & Hove offered the ideal destination for the new attraction. Its proximity to London, channel ports and the euro-tunnel terminus, and a well established conference and meetings market, offered the ideal location for this type of new attraction.

- 3.4 Planning permission was granted to unanimous support from the city council in October 2006 and steelwork for the tower has been purchased, manufactured and rolled. Piling work has commenced on site. Construction can start within a short time frame and without any further significant legal or logistical hurdles to be jumped.

The viewing experience

- 3.5 The upper boarding level of the i360 will offer exhibition space for visitors to explore before they board and covered heritage seating will allow for the option of sitting and relaxing prior to boarding. Tickets will be available by internet pre-booking or available on the day. In this regard, the considerable experience of managing the bookings and marketing in relation to the London Eye will be brought to bear by the i360 team and i-xperience – the company who will operate the i360.
- 3.6 Customers will then board a “pod” at the upper level. During the 20 minute ride the pod will slowly rise up to 139 metres above ground, higher than the London Eye, Spinnaker Tower or Blackpool Tower. This will offer 360 degree panoramic views for 25 miles around. During the evenings the Brighton i360 will become the SkyBar where a longer ride time (30 minutes) will allow the option for visitors to have drinks and for ceremonies and events to take place.
- 3.7 A 400 seat café, shop and public toilet facilities will be located on the beach level of the attraction adjacent to the ride exit. Two hospitality rooms for receptions, weddings and conferences/business meetings will also form part of the lower level. The Operational Statement supplied by Marks Barfield Architects (Appendix 9) provides further detail on the operation of the attraction and covers items such as the timed ticketing system, visitor patterns, coach management etc.
- 3.8 The i360 will be a commercial visitor attraction, commercially operated and run, and located on land owned by the West Pier Trust.
- 3.9 The i360 team have therefore developed the i360 in full consultation with the West Pier Trust. Many facets of the original West Pier have been woven into the design for the attraction and the exhibition area will provide information about the history of the West Pier on the upper level as well as utilising the original kiosks as ticket booths at the upper boarding area.

Economic Benefits and regeneration

- 3.10 The development of the i360 fits within the city’s Tourism and emerging Seafront Strategy’s. The creation of an iconic landmark piece of architecture on the coastline was also highlighted in consultation during the planning process and the economic, social and environmental benefits are well documented in the planning report.

- 3.11 As a UK destination Brighton & Hove suffers from the effects of seasonality with varying patterns of demand and business across the year. Developments such as those at the Brighton Centre and earlier seafront developments help overcome the effects of seasonality, however while the city suffers less than most other seaside destinations nonetheless the effects remain. The i360 is a key way for the city to continue to address these seasonal effects by giving potentially new visitors a principle reason to visit and providing those who have been a reason to return.
- 3.12 The i360 also complements the city's business tourism offer. While it will bring a unique venue in its own right into the city, it will also provide a space that can enhance the experience of conference organisers and delegates who may be holding their meetings elsewhere in the city by providing a new space for dinners, receptions and the like.
- 3.13 The i360 will also enhance the public realm in the western end of the seafront, bringing a completed feel to the space between the already improved areas of seafront development between the piers and the calm and well maintained open spaces of Hove Lawns beyond.
- 3.14 Finally, the development will be iconic, internationally recognisable and distinctive. It will enhance the international prominence of the city in the minds of visitors or those considering inward investment and for all these reasons is to be welcomed.

Jobs

- 3.15 The wider regeneration benefits are also very considerable. These stem principally from the additional expenditure generated by approximately 160,000 new visitors to the city (not to be confused with the total visitors to the attraction, estimated at around 800,000 in Year One), the additional archway businesses to be set up within the expanded site and the jobs and expenditure this will create, as well as the construction jobs and operational jobs created as part of the i360 itself. An estimated 440 FTE jobs is judged to be a reasonable estimate of the overall benefit for the city.

Wider regeneration

- 3.16 The exciting opportunity which is now offered from the development of the i360 is also the chance to finally rejuvenate the most western area of seafront around the derelict West Pier. Expenditure to achieve this renewal can now largely be recouped by the council. New business rates and rental from lettings will now allow a sustainable business case to be made to fund this work. A new and thriving artisan quarter can be created and the refurbished arches will be let to start-up businesses and those looking to expand.
- 3.17 The long awaited regeneration of this part of the seafront has also not assisted business performance to the north of the site. Shops and restaurants in Preston Street will expect to see a boost to their

businesses once the i360 opens. The increased foot traffic will undoubtedly increase the business opportunities here, and this in turn is expected to help this part of the extended Business Improvement District to begin to finally improve its prospects.

Project Funding

- 3.18 The total project cost for the project had previously been set at £35m, however after further discussion and a detailed process of due diligence a revised and final figure of £38m has been agreed between all parties. The Council loan will now be capped at £17.8m and the LEP contribution will remain at £3m. The remainder of the funding will, as previously agreed, be contributed by the Equity providers, who will fund £20m of the total project cost and (as previously) carry the greater risk burden. The final total project cost is also still subject to specific due diligence on the developer's financial model.

C2C LEP Funding

- 3.19 The prospective £3m loan from the Coast to Capital LEP is a strong indication that the i360 project is seen as one which meets Government priorities. The purpose of the Government initiated "Growing Places Fund" is to stimulate economic growth and regeneration by working with the private sector and local authorities to kick-start projects which have stalled due to a lack of available bank lending. The i360 project meets this criteria and can move ahead swiftly thereby having a very direct economic benefit in a relatively short time frame.
- 3.20 The C2C LEP Investment Committee visited the site (24 May 2012) and gave consideration to the scheme at a C2C Investment Committee meeting on 20 June 2012. A meeting to agree terms of the loan agreement was held with officers on 2 July 2012. The C2C LEP will make the final determination at their Board Meeting or delegate this to their Investment Committee, subject to timing, but will do so to ensure this is timed to meet the Council's target date for Financial Close in September.
- 3.21 The loan from the LEP will be structured to allow for one single loan agreement to be entered into between the Council and Brighton i360 Ltd with a separate agreement allowing the LEP funds to be directly paid to the council. Appendix 10 illustrates this approach and Appendix 8 offers more detail on the terms of the agreement, which has been brokered and agreed via Pinsent Masons LLP, the council's commercial loan advisers.

Experience of the Brighton i360 team

- 3.22 The experience of the team delivering the i360 is unparalleled in many ways as the team comprises those who originated, designed and built the UK's number one paid for visitor attraction, the London Eye. David Marks

and Julia Barfield (Marks Barfield Architects) founded the London Eye Company (LEC), acquired the site, obtained planning consent and raised the capital necessary to build the observation wheel. They were non-executive directors of LEC and shareholders of LEC until they sold their interest to the Tussauds Group in 2006.

3.23 The London Eye has remained as the number one visitor attraction in the UK, consistently achieving high visitor numbers and regularly exceeding 3.5 million visitors per annum. The team is able to bring their combined experience of marketing and managing such an attraction to bear on the Brighton project.

3.24 A key member of the operational team will be Eleanor Harris of i-xperience who will be chief executive of Brighton i360 Ltd. Eleanor has 16 years' experience in the leisure and tourism industry and was the London Eye's Commercial Director between 2000 and 2006 with responsibility for generating the company's multi-million pound revenue as well as strategic business development. Before that she held various marketing and customer-focused management roles at British Airways.

3.25 i-xperience Ltd specialise in helping visitor attractions generate more income and attract more visitors. Clients have included the Turner Contemporary Gallery, the Tutankhamen Exhibition at the O2, Mercedes-Benz-World, London Zoo, the Royal Pavilion in Brighton and Brighton Museums.

3.26 **Construction team – Brighton i360**

Construction arrangements for Brighton i360 Ltd have been structured by lawyers Fladgate Fielders acting for Brighton i360 Ltd. The arrangements have been reviewed as part of the due diligence process undertaken by BHCC and LEP and have also been reviewed by Pinsent Masons LLP on behalf of the council. If any of these change, the council will ensure that they are replaced with equivalent contractors of equal stature. The Loan Agreement will also make arrangements for dealing appropriately with any changes that may occur during the course of the project.

Hollandia

Hollandia will project manage the construction, undertake the civil engineering aspects and take full responsibility for constructing the tower. Hollandia are Holland's largest steelwork supplier and also built the London Eye's steel structure. They will subcontract to Graham and Pomagalski SA (Poma).

Poma

Poma are Europe's largest cable car and ski lift manufacturer and are considered to have an excellent track record. They will be responsible for design, manufacturing and installation of the pod and drive mechanisms for Brighton i360 and also undertook manufacture and supply of all the pods for the London Eye.

Graham

Graham are the largest subsidiary of John Graham Holdings group and deliver building and large civil engineering projects throughout the UK and Ireland. They will build the foundations, deal with the sewer diversion and construct the main and ancillary buildings.

Jacobs Engineering UK Ltd

Dr John Roberts designed the Brighton i360. He was the London Eye's principal engineer during design, manufacture, construction, operation and certification under the Health and Safety Executive's scheme of approval.

John is Director of Operations for the UK buildings business of Jacobs UK Ltd, which has a 6,000-strong workforce. He is a leading structural engineer with expertise in passenger-carrying rides for clients such as Merlin Entertainments and The Big One at Blackpool Pleasure Beach. Jacobs will act as structural engineer, services engineer (M and E) and project manager.

3.27 Financial advice – Brighton i360 Ltd

The i360 team is advised by GVA Financial Consulting. The company is FSA regulated and authorised to provide financial advice to both the public and private sectors and specialises in structured finance and funding stalled developments. GVA also advise on debt and equity finance and local authority funding. GVA have developed successful projects with Croydon Council, Brent Council, Orkney Islands Council (wind farm) and the London Development Agency amongst others.

3.28 Legal advice - BHCC

External legal advisers have been appointed by the council to provide specialist knowledge with regard to the Terms of the Commercial Loan with Brighton i360 Ltd, thereby protecting the council's interests long term and also ensuring the terms of the loan do not contravene the requirements necessary to comply with State Aid rules.

A procurement process invited 5 firms to tender for this legal work in May 2012 and Pinsent Masons LLP were appointed on 28 May 2012.

Pinsents have experience of acting for a range of private sector lenders and developers and have specialists covering issues such as state aid, construction, property and tax. They have also acted for the European Investment Bank. In terms of State Aid compliance, Pinsents have a solid background, advising a range of Regional Development Agencies and Local Authorities on the State Aid implications of specific projects.

3.29 Financial advice - BHCC

Core financial advice is being provided from the council's internal financial resources, who have experience in complex public/private partnership arrangements. This will be supplemented with additional specialist advisors appointed as necessary. For example, a specialist advisor will carry out the audit of the financial model that underpins the i360 business case. Close working with Pinsents as the council's legal advisors will also bring significant funding expertise particularly around State Aid Compliance and ensuring commercial terms are agreed in relation to the loan agreement and security provisions.

3.30 Technical advice – BHCC

In common with other large infrastructure projects in which the council has had a legal interest (e.g. Amex Community Stadium, Jubilee Library) a Technical Adviser will be appointed to act as the “eyes and ears” of the council in connection with all construction related activities. The Technical Adviser (T.A.) will oversee all construction documentation prior to financial close and also have an on-site role during construction, reporting back to the council on progress on a formal monitoring basis and highlighting any issues arising. The Technical Adviser will sign off compliance certificates on a monthly basis which will trigger the release of the loan facility (see 4.2).

3.31 Monitoring and reporting

A formal internal monitoring process will be established to allow for regular progress meetings to review the construction and financial arrangements as they progress. The appointed Technical Adviser will provide monthly monitoring reports which will report on construction progress and cost. The T.A will report back to the Council i360 Project Manager and will also meet regularly with the Internal Finance Team. Any issues of additional cost will be reported back before any sign off is provided. Monitoring reports will be supplied to Policy and Resources as part of the regular TBM monitoring report process. Reports on general progress and any specific matters relating to the wider project and the seafront will be dealt with by the Economic Development and Culture Committee. It is also expected that Audit and Standards Committee will wish to oversee progress as required.

4.0 PROPOSED STRUCTURE – FUNDING AND SECURITY

4.1 Details of the proposed structure for the loan to Brighton i360 Ltd are attached at Appendix 10.

Funding Structure – headline issues

4.2 The proposed funding structure comprises the following key terms:

- The equity investors will fully subscribe, either through subordinated loan notes or cash, the £17.8 million on or before the council advances any funds to Brighton i360 Ltd. Full subscription may be

achieved either through placing the notes / cash in an escrow account or through a letter of credit issued by a reputable and secure financial institution;

- The £17.8 million loan facility advanced by the council and LEP will rank in priority over the equity investment. The council will act as primary lender with LEP advancing their £3 million share to the council at financial close (known as sub participation). This arrangement simplifies the security and lending structure. LEP will take project risk, with their sub participation attracting the same level of risk as if they had lent directly to Brighton i360 Ltd.
- i360 will draw down the equity holding and the loan facility in equal proportions based on monthly valuations signed off by the council's Technical Advisor (3.30).
- The £17.8 million loan will attract a commercial interest rate equal to the risk profile of the project. The rate will be fixed at financial close for the period of the loan.
- There will be a number of covenants, representations and warranties that Brighton i360 Ltd will need to comply with whilst the loan remains unpaid. For example, the company will need to ensure its business case will satisfy a number of forward ratios to ensure sufficient funds are available to meet capital repayments and interest payments prior to any dividends being distributed to the equity investors. A "cash sweep" has been agreed whereby a proportion of funds that would ordinarily be available for distribution to equity investors will instead be redirected to prematurely repay part of the debt.

Security

4.3 Security of the council's loan will be achieved through a number of measures:

- a full charge over the assets of Brighton i360 Ltd, to include the infrastructure, leases, licences and all bank accounts,
- full assignment of all project contracts, including performance bonds, insurances and collateral warranties from major sub contractors,
- a fixed price construction contract against which no changes can be made (either to price or scope) without the express consent of the council,
- a right to acquire the shares in the company
- full step-in rights that allow the council either to appoint replacement operators or run the contract direct.

Decommissioning

4.4 In the event that the project is terminated, either during construction or after a period of operation, Brighton i360 Ltd will be required to set aside funds to allow for the attraction to be demolished and the site returned to its previous state. During construction the council will have security over the funds of the

company and may apply these to fund the cost of decommissioning. Once the project is operational the company will be required to set aside sufficient monies in a separate reserve to meet the estimated cost of decommissioning. The balance in the reserve will be monitored to ensure sufficient funds are maintained.

Due Diligence

- 4.5 As part of the risk management for the loan arrangements an extensive due diligence process is on-going by both the council and the Local Enterprise Partnership. The main areas subject to due diligence can be found in Appendix 2.

Two of the key areas are the business case and attendance projections.

a) Business case

The business case is driven by attendance forecasts. The May Cabinet report provided information regarding attendance forecasts which provide the main (70%) source of income for the attraction. These figures vary between a high forecast of 1m and low forecast of 600,000.

The financial assumptions in the business case were independently reviewed in October 2011 by the Economics Team at AECOM, a worldwide professional technical and management support services firm. AECOM looked at the attendance and financial projections and concluded that the i360 should achieve just under 800,000 visitors in its first year of operation and an operating profit of approx. £6.7m per annum (the "Base case").

Sensitivities around the Base case have been run by AECOM. The table below shows the estimated profit that would be achieved if visitor numbers and the amount each visitor will spend are lower than anticipated, for example if visitor numbers are 10% lower than anticipated at 720,000 and income per visitor is 10% lower than anticipated then the profit forecast will be £5.4m in year one.

Forecast Operating Profit in Year 1

Assumed Visitor numbers	800,000 (Base Case)	720,000	600,000 (Low forecast)	480,000
Total Assumed Income per Visitor (Including VAT)	Forecast Profit £ million	Forecast Profit £ million	Forecast Profit £ million	Forecast Profit £ million
Base Case	6.7	6.0	5.0	4.0
Base Case less 10%	6.0	5.4	4.5	3.6
Base Case less 25%	5.1	4.6	3.8	3.1

Assumed Visitor numbers	800,000 (Base Case)	720,000	600,000 (Low forecast)	480,000
Base Case less 40%	4.1	3.7	3.1	2.5

The operating profit needs to be sufficient to meet the costs of the debt finance. These are estimated to be approx. £2.5m in interest and provisions for loan repayment on a £17.8m debt. The operating profit is therefore sufficient to meet these costs even if visitor numbers fall significantly below the low forecast and income per visitor is 40% below the base case. The debt interest and repayment charges will be met before any dividend is paid to the equity investors

Further due diligence is required on the business case leading up to financial close. This work will include:

- Ensuring the final terms of the loan agreement are reflected in the business case. An independent audit of the financial model that underpins the business case will form part of this due diligence work.
- Evidence of the financial standing and wealth of the equity investors received and documented.
- Verification of the final contractual build costs – independently reviewed and verified.

b) Attendance projections

AECOM has been providing planning and development guidance to the leisure and tourism industry for over 50 years. The firm has been instrumental in the planning, development and operational phases of many of the most well known cultural, educational and tourist attractions.

AECOM uses a well-established methodology to determine attendance and revenue forecasts focusing on a number of core factors:

- an accurate and realistic assessment of the size and nature of the current and future potential resident and tourist market population;
- a full assessment of the strengths and weaknesses of the site, location, and competitive environment;
- a competitive appraisal of the potential appeal of the concept and how it fits within the regional and national markets; and
- a detailed assessment of the attendance, market penetration, and financial performance of developments with comparable product and market characteristics that are already operating around the world.

Appendix 5 describes AECOM's methods in greater detail and uses a number of well known examples to illustrate the accuracy of their forecasting. Appendix 6 includes more local comparators such as the Spinnaker Tower in Portsmouth and further afield, the Blackpool Tower. It also contains more detailed forecasts for the Brighton i360 from 2015 to 2024 using resident and tourist market penetration rates.

The Blackpool Tower is offered as an interesting example. This has recently been taken over by Merlin Entertainments and they anticipate achieving 800,000 visitors per annum once the tower re-opens. This would be equal to a 4.6% market penetration rate. The Brighton i360 has been more conservative in its estimations. If Brighton were to achieve the same market penetration as predicted for Blackpool, it would achieve 930,000 visitors per annum. AECOM estimates instead predict that the Brighton i360 will attract between 701,000 and 817,000 visitors and they use a market penetration rate of around 3.6% (see Appendix 6).

The Spinnaker Tower achieves around 360k visitors per annum. This is equivalent to 2.3% penetration level of its market. The market in Portsmouth is 23% smaller than Brighton & Hove and Portsmouth does not have the large and well established conference and tourist market of Brighton. Furthermore, Portsmouth does not tend to organise the range of major events that takes place in Brighton & Hove and bolsters the visitor numbers significantly. For these reasons, an attraction located in Brighton is more likely to achieve higher market penetration rates overall than Portsmouth. It should be noted however that the Spinnaker Tower is still a success and continues to generate an operational profit.

A comparison of UK observation experiences is attached as Appendix 7.

Risk Matrix

- 4.6 Council officers have developed a risk and opportunity register for this project (which has been circulated as a Part Two document) and applies the council's approved Risk Management Strategy methodology. This covers some of the areas examined during due diligence (such as visitor numbers and business case) but has a broader remit and is also designed to highlight opportunity as well as risks of certain courses of action.

Loan Facility Agreement

- 4.7 The Facility Agreement will set out the terms and conditions under which the loan to Brighton i360 Ltd will be advanced. The terms will cover both the £14.8m advanced by the council and the £3 million from the LEP. The terms are based on a commercial arrangement to ensure that State Aid rules are complied with. The Agreement will cover both the terms of the loan and the underlying security.
- 4.8 The key elements of the Facility are:

- the facility will be advanced to Brighton i360 Ltd over a 24 month period in monthly tranches. Advances will represent under 50% of the monthly amount required with the balance drawn from the equity investors. Advances will be made against certificates signed off by the council's appointed technical advisor.
- a commercial rate of interest, based upon the council's cost of borrowing plus a margin to reflect risk and return, will be charged on the cumulative amount advanced. Interest is payable half yearly. During the construction phase (24 months) and the six month operating period immediately following, the interest payable under the Facility will be rolled into the Facility and added to the amount outstanding. Interest will start to be repaid after this period.
- a commitment fee equal to one-half of the margin is payable on the amount of the Facility that has not been advanced to Brighton i360 Ltd. The fee is payable for a period of around 2 years commencing on financial close. An arrangement fee is also payable on financial close.
- Repayment of the loan will commence six months into the operational phase of the project with full repayment over the following ten year period. Agreement has been reached whereby the LEP proportion of the facility will be repaid over the following three year period (rather than ten year period) in accordance with the terms of their investment. A cash sweep will operate whereby revenues over and above that required to meet the company's operating costs, taxation and financing costs will be earmarked to reduce the amount of the Council loan outstanding. Based on current projections for revenues this would result in full repayment of the facility over a period less than 10 years. Any early repayment, other than that through the cash sweep, will attract an additional cost to the company to compensate the council for repaying debt earlier than planned and for the loss of a commercial return on the loan.
- a number of key ratios will be negotiated that will, inter alia, ensure the company has retained sufficient funds to meet its debt obligations and to allow distribution of profits to the shareholders only when financially viable to do so. Default provisions within the agreement will enable the council to take over the operation of the i360 or to appoint replacement operators.
- the loan will be secured against all the assets of Brighton i360 Ltd. During the construction phase the council will have a full charge over the equity investment ensuring access to sufficient funds in the event the site has to be re-instated or the council decides to complete the project.
- the loan will be administered by the Director of Finance in return for an annual agency fee. Under the agreement the company will be required to submit regular financial statements and projections to the Director of Finance. Regular review meetings will also be held with the company.

Timetable to Financial Close

- 4.9 Assuming that work progresses as anticipated, financial close between all the parties is anticipated to take place in mid September 2012.
- 4.10 It is recommended that delegation of the final signing off of the suite of documents including the Loan Facility Agreement remains with the Director of Finance, Strategic Director Place and the Chair of Policy and Resources Committee.
- 4.11 A draft timetable is attached as Appendix 3.
- 4.12 A Financial Close by mid September will lead to a planned site commencement date in Autumn 2012.

Timescale for Construction and Opening

- 4.13 A revised target date for the opening of the attraction has now been agreed for March 2015. The timeline has been amended due to the need to begin and end the construction of the tower outside of winter months. The revised timeline still allows for early site establishment works to start on site in Autumn 2012 and this will begin with demolition and sewer diversion works and the formation of the temporary access road in early 2013. The Heritage Centre construction will then follow and the final formation of the tower will be timed to take place during summer 2014. The revised timeline also allows greater flexibility with regard to interfacing the i360 construction contract with the arch strengthening contract works which are also due to start on site in Autumn 2012. This will ensure that once open there is no outstanding construction work in the immediate vicinity which will detract from the new attraction and its success.

Audit

- 4.14 A report to the Audit and Standards Committee was considered on 26 June 2012. This set out the approach being taken to risk management and due diligence and the independent review and assurance role being provided by internal audit over the project. Discussions have commenced with the Council's external Auditor's regarding the accounting implications of this project.

5.0 CONSULTATION

- 5.1 A full public consultation exercise was undertaken by the Brighton i360 team as part of the application for Planning Permission which was achieved in October 2006. Considerable public support was shown for the project.
- 5.2 Marks Barfield have been active in the city since that time and have attended recent business events to talk about their project.

- 5.3 The seafront team have introduced a new seafront newsletter which updates seafront traders on operational issues as well as development issues on the seafront. The next newsletter will be issued in early July and will include information about the Brighton i360.
- 5.4 Consultation will continue before, during and after the construction process with all businesses directly (and indirectly) affected by the construction and operation of the new attraction. This will include the works to the seafront arches and those adjacent to the temporary access road.

6.0 LEGAL/FINANCIAL & OTHER IMPLICATIONS:

Legal Implications:

Council's Statutory Powers

The previous report referred to the wellbeing provisions in Section 2 of the Local Government Act 1972 and the general power of competence in the Localism Act 2011. S2 of the 2003 Act has now been repealed. Pinsents have helpfully proposed that the Council relies on the power in the Local Authorities (Land) Act 1963 and that Section 111 of the Local Government Act 1972 and the general power of competence under the Localism Act 2011 are relied on in respect of the incidental arrangements.

Section 3 of the 1963 Act provides that local authorities may advance money for building works, where it is satisfied that it would be for the benefit or improvement of their area. Such an advance, together with interest thereon, must be secured by a mortgage of the land in respect of which the advance is made and the amount of the principal of an advance must not exceed nine-tenths of the value of the land or nine tenths of the value which it is estimated the mortgaged security will bear upon the completion of the building or other works in respect of which the advance is made. There are other standard loan provisions in the Act all of which will be complied with in the proposed advance.

In terms of other incidental elements of the arrangements, for example, security over bank accounts etc, Pinsents have referred to section 111 Local Government Act 1972 and the general power of competence under the Localism Act 2011. Section 111 of the Local Government Act 1972 provides a local authority shall have power to do any thing (whether or not involving the expenditure, borrowing or lending of money or the acquisition or disposal of any property or rights) which is calculated to facilitate, or is conducive or incidental to, the discharge of any of their functions. However, a local authority does not have the power under this Act to raise money, whether by means of rates, precepts or borrowing, or lend money except in accordance with the enactments relating to those matters and hence the need to rely on the 1963 Act.

In deciding whether and how to exercise its powers in relation to this proposal, the committee must consider the council's fiduciary duty to conduct its administration in a fairly business-like manner with reasonable care, skill and caution, and with a due and alert regard to the interest of the council tax payers. However it is in the council's discretion to determine what the interests of the council tax payers are and how they are best served following its analysis of the relevant costs and benefits. Thus in considering this matter, in terms of fiduciary duty, the council must disregard all irrelevant matters and have regard to issues such as the burden of the terms of the arrangement and the expenditure involved for the council tax payers, as well as the benefits it will bring. This needs to be considered both generally and specifically to those who will directly gain or suffer from the proposal. This balancing exercise is for the council to determine after having given due consideration *to the appropriate weight to be afforded to the relevant factors*.

State Aid

The council's legal adviser Pinsents are accustomed to advising in relation to EU procurement and State Aid rules in relation to funding structures for public sector bodies. Pinsents have advised the council on those aspects of the Brighton i360 loan agreement which will have a bearing on state aid compliance and the loan has been constructed to ensure compliance is achieved. Brighton i360 Ltd will be paying a competitive interest rate, and will also be party to a suite of terms and conditions which do not offer any more favourable terms than those offered by a commercial lender. The council are therefore satisfied that the requirements of State Aid and final compliance have been achieved.

The Big Wheel

The legal agreements relating to the Big Wheel at Daltons Bastion allow for the council to give notice to the wheel's operators, Paramount, to cease operation of the Big Wheel. Consideration as to the implications of concurrent operation of the two attractions or of giving notice to terminate the operation of the Big Wheel will need to be undertaken by this Committee in due course.

Legal officer consulted: *Bob Bruce*

Date: 3 July 2012

Financial Implications:

The financial implications are covered within the body of the report. The terms of the loan facility represent as closely as possible those that would be available from a commercial funder to ensure compliance with State Aid rules. Costs incurred by the council prior to financial close will be reimbursed by the equity funders in the event that financial close is not achieved.

The council's loan to Brighton i360 represents some 39% of the total projected cost. The remaining balance is being funded through the loan from LEP (8%) and 53% from the equity investors (i.e. the amount the owners are putting into the project). The council's loan, together with the loan from LEP, will rank higher in terms of priority over the equity investment.

In order to raise the council's share of the loan (£14.8m) the council will need to borrow from the financial markets, the most likely option being the Public Works Loan Board. In doing so, the council will be committed to repaying the loan, together with all interest accruing thereon. With the exception of the interest rate and fees payable the council will match as closely as possible the terms of this borrowing with those under the facility agreement.

The council will receive under the loan facility agreement a one-off arrangement fee for arranging the loan and an annual agency fee for administering the loan. In addition the council will receive full repayment of the costs incurred in finalising the loan and monitoring the loan drawdown process throughout the construction period.

As the project progresses the debt payments could also be secured against guaranteed income streams from, for example, marketing, naming rights and sponsorship. Brighton i360 Ltd will provide a list of potential sponsors for the council to approve before detailed negotiations take place with sponsors. At this stage it is estimated that the income streams from sponsorship and concessions could exceed £1m per annum.

There are a number of risks in giving the loan to Brighton i360 Ltd and the facility agreement includes provisions to protect the council against the non repayment of the capital sum and interest thereon. However, it is considered prudent to supplement these provisions, particularly during the first years of operation. It is recommended that sums received under the facility agreement that are not required by the council to fund the cost of its borrowing are set aside initially in a risk reserve and that the balance on the reserve is reviewed after the first year of operation.

The loan to Brighton i360 Ltd will be classified as capital expenditure under the capital finance regulations and as such the £14.8m will need to be added to the council's approved capital programme. The profile of loan drawdowns has yet to be agreed with Brighton i360 and therefore the amount to be included in the 2012/13 programme, 2013/14 programme and 2014/15 programme will be reported to this Committee as part of the TBM process.

Finance officer consulted: *M Ireland/PSargent* Date: 3 July 2012

Equalities Implications:

- 6.3 There are no specific equalities implications stemming from this report. An inclusive approach to design was clearly demonstrated at the planning

application stage and the developers have committed to a system of concessions for local residents and specific promotions to be offered to local schools and colleges.

Sustainability Implications:

- 6.4 The sustainability implications were thoroughly documented and reviewed as part of the planning application process for the project.

Crime & Disorder Implications:

- 6.5 Sussex Police Community Safety branch commented at the time of the planning application that the location of the attraction is currently a high risk crime area and therefore certain measures were recommended to the developer in terms of specific mitigation. The developer made a commitment to seek approval under the Secured by Design initiative and has shown commitment to pursuing policy QD7 of the local plan.

Risk and Opportunity Management Implications:

- 6.6 A risk and opportunity matrix has been developed and is contained within Part Two of this report.

Corporate / Citywide Implications:

These have been dealt with in the main body of the report and at the Planning Application stage.

7. EVALUATION OF ALTERNATIVE OPTION(S):

These were dealt with in the May Cabinet report which is attached as Appendix One.

8. REASONS FOR REPORT RECOMMENDATIONS:

These are set out in the body of the report.

SUPPORTING DOCUMENTATION

Appendices:

1. 10 May Cabinet report
2. Due Diligence Items
3. Draft Timetable to Financial Close
4. Capacity projections per ride - Table
5. AECOM Attractions – Projection Methodology
6. AECOM - Attendance Projections
7. A comparison of UK observation experiences
8. Terms of Agreement with C2C LEP
9. Operational Statement – Brighton i360 Ltd
10. Proposed Funding Structure Diagram -Pinsents
11. Construction Timescale and Loan Drawdown Timeline

Part Two

12. i360 Business Plan – Marks Barfield *to follow*
13. Risk Matrix *to follow*

Documents in Members' Room:

- October 2006 – Planning report and Minutes

Background Documents:

APPENDIX 1

CABINET		Appendix One	
		Brighton & Hove City Council Public Report	
Subject:	i360 Public Funding Options		
Date of Meeting:	10 May 2012		
REPORT OF:	Strategic Director Place & Director of Finance		
Contact: Officer:	Name:	Katharine Pearce	Tel 29-2553
	E-mail:	katharine.pearce@brighton-hove.gov.uk	
Key Decision:	Yes	Forward Plan No: CAB29110	
Wards Affected:	Regency & seafront wards		

FOR GENERAL RELEASE

1. SUMMARY:

This report sets out public financing options for the i360 development and updates Members on issues of timing in relation to i360 and the wider regeneration of the seafront. It also provides an update on the very recent result of a Growing Places Fund (GPF) bid to the Coast to Capital Local Enterprise Partnership (C2CLEP). The report seeks authority from Cabinet for officers to enter into a negotiation with both the C2CLEP and Brighton i360 Ltd on preferred loan financing terms to unlock the project and enable development to commence in earnest to allow a projected completion by April 2014.

2. RECOMMENDATIONS:

That Cabinet authorise officers to:

- 2.1 Enter into detailed negotiation with Brighton i360 Ltd regarding loan financing terms under preferred prudential borrowing arrangements.
- 2.2 Draw up detailed loan financing and repayment terms under preferred prudential borrowing arrangements as set out in paragraph 3.12 of this report.
- 2.3 Enter into detailed negotiations with Brighton i360 Ltd and the C2CLEP on loan financing and repayment.
- 2.4 Report back to Policy & Resources Committee on 12 July 2012 setting out the outcome of negotiations on both 2.2 and 2.3 above.

- 2.5 Complete negotiations with the Brighton i360 Ltd regarding the underwriting of all reasonable expenditure necessary to complete negotiations and agreements required by the council to progress items 2.1 to 2.4 above (noting that Brighton i360 Ltd have accepted the underwriting in principal).

3. RELEVANT BACKGROUND INFORMATION/CHRONOLOGY OF KEY EVENTS:

- 3.1 The i360 development is a private sector led £35m visitor attraction developed by the same team that delivered the London Eye. It was given a unanimous planning consent on 11 October 2006 and the proposal will be built in large part on land which is currently owned by the West Pier Trust. It is recognised that the i360 will create jobs, boost the conference and visitor economy of the city and the wider region and attract upwards of 800,000 visits per year. It provides the final catalyst to complete the seafront development strategy and therefore contribute to the wider economic resilience and development of the city. It is iconic in scale and design and will raise the profile of the city and the region on the national and international business, convention and tourism stage.
- 3.2 Following planning consent in October 2006 the project stalled in the wake of the 2008 financial crunch and the contraction in bank lending on such projects.
- 3.3 The project is at an advanced stage with construction contracts in place, advanced prefabrication underway and a detailed implementation plan, licences and some legal agreements already completed.
- 3.4 On 31 January 2012, in partnership with the Developer, the council submitted a bid to the Coast to Capital Growing Places Fund operated by the Local Enterprise Partnership (LEP). The bid was made to the LEP on the basis that there was a demonstrable market failure and that the scheme was a good fit with the requirements of the bidding criteria; namely to support projects offering sustainable growth which were able to move forward at pace and deliver significant regeneration benefits. The bid was for £3m.
- 3.5 The project bid has now been assessed by the LEP Investment Committee (25/04/12) and they have recommended the project be approved for the full amount of the bid. Details of the conditions of the funding will be reported back to Policy & Resources Committee after the Due Diligence process has been completed by the LEP's advisers Genecon.
- 3.6 The current capital funding situation for the i360, including the LEP funding, is outlined in detail in the financial section of this report.
- 3.7 **Economic Resilience & Regeneration**

The city council has continued to provide support to the i360 project for a number of strategic and financial reasons as outlined below:

- (i) The project provides a unique and financially sustainable visitor attraction at a key strategic location on the seafront with many spin off regenerative benefits for the wider area.
- (ii) A visitor attraction at this location on the seafront will draw an estimated 600,000 to 1,000,000* visitors a year, and this will generate upwards of £5m per annum in additional spend in the area. This in turn will offer a very urgently needed boost to businesses in Preston Street and beyond who currently suffer higher than average vacancy rates and reducing footfall and many of which are struggling to survive the current recession.
- (iii) The i360 attraction will directly create at least 154 full-time equivalent operational and construction jobs. This will include a minimum of 3 management training scheme apprenticeships. The council's Economic Development Team have also reviewed all the data and estimated that the wider spin off job creation from the project will be in the order of 444 jobs.
- (iv) The indirect employment benefits will result from a number of factors such as the increase in tourism numbers, the letting out as new business units the currently derelict arches to the east and west of the i360, increase in business to Preston Street generally and also the boost to the wider city economy via conferencing and delegate spend – particularly from overnight visitors.
- (v) The council will receive an equivalent of 1% of ticket revenue from the project to complete the landscaping schemes to either side of the West Pier site and this in turn will create a more beneficial environment for business to flourish.
- (vi) Deliverability – the project has planning permission and there are no significant remaining logistical or legal issues to resolve. It is effectively ready to start on site within 2 to 3 months of funding being secured.
- (vii) The i360 project has always received much public and business support and has captured the public imagination. By operating all year round it will help to even out fluctuations in tourism revenue for the city; it will help deliver high value business tourism visitors such as conference delegates and will also raise Brighton & Hove's profile as a vibrant and modern city.
- (viii) The i360 team have been committed to exploring ways to ensure access to the attraction for all members of the community. In particular, they have committed, in line with the council's own policy, to provide concessions for local people by way of reduced ticket prices at certain times of the year and/or specific promotions for local schools and/or community events.
- (ix) The i360 will be constructed predominantly on land owned by the West Pier Trust (WPT) which is a not for profit charitable trust. The West Pier Trust are wholly supportive of the project, not least because it allows the reproduction of the spirit of the West Pier in a 21st Century form, but it also allows the WPT to use the rental income from their lease with the i360 to recreate aspects of the original West Pier in various forms: a permanent exhibition, a virtual interactive display, re-building of ticket booths and kiosk, preservation of original columns and the re-use of cast iron columns as part of a new archaeological garden.

- (x) The arches to the east of the site and those to the west have been in need of refurbishment for many years. Strengthening works are due to take place within months to the western arches (October 2012) and the progression of the i360 will finally allow a robust business case to be made to fund the refurbishment of the interior of the arches to create new units which can be let to local businesses.
- (xi) The business case to refurbish the arches to the east of the site can then also be made. Between them, the newly refurbished arches will provide much needed jobs and business opportunities and will also deliver significant rental income and business rates directly to the council. Their improvement will also complete the regeneration of this important part of the seafront.
- (xii) At planning application stage the i360 project received an unprecedented amount of support locally and also from bodies such as English Heritage who fully endorsed the principle of a 21st Century pier at this location.

In the light of all of the above, council officers have been working pro-actively for several months with Marks Barfield Architects (MBA) exploring a number of different options to facilitate funding of the Brighton i360 project at minimal risk to the council. This has included a re-appraisal of all the key visitor and financial assumptions and those elements relating to other similar attractions in the UK and elsewhere.

Note:

3.7 (ii) Figures recently produced by AECOM as part of Due Diligence on Tourist Visitor Numbers for the i360.

3.8 **Current funding position for the i360**

The project requires total investment of approx. £35m of which the project team have raised £18m equity funding, some of which is subject to the balance of funding being secured. The team have sought bank finance for the remaining balance of funding of £17.8m. The continuing huge uncertainty in the money markets has meant that bank funding is impossible to secure for this kind of project without additional security on offer. The team do have an offer from a high street bank to provide £6m funding as part of a consortium of lenders, but this would require council guarantees to be put in place. The council will derive direct and indirect financial benefits if the scheme is completed and successful (these are set out in paragraph 3.12) and can also achieve a commercial return on any financial support it offers. The project can only proceed to completion whilst the current financial conditions persist with additional financial support from the council and the LEP. Various options to provide this support and the risks and rewards entailed have been considered and these are set out in paragraph 3.14 to 3.17.

3.9 **Construction costs**

The construction costs are estimated to be just under £26m and a further contingency provision of 5% is made in the full investment budget. The £35m investment budget also covers fees, fit-out costs, operating costs

between financial close and opening, development costs and rolled up financing costs. The development costs of £3.3m that have already been incurred to get the project to this stage include the purchase of the steel and have been funded by the equity investors.

Construction and development will be managed through an overall single turnkey construction contract. A number of risks have been identified that may impact on the overall capital costs of the project and strategies to mitigate or minimise each risk have been identified. Some of the key strategies are:

- A fixed price contract from the contractor.
- Any changes to the specification resulting in increased costs will be met by the equity investors.
- As part of the agreement between Brighton i360 Ltd and the main contractor a £5m performance bond (guarantee) has been included in the contract to ensure delivery on time.

3.10 i360 Financials

The financial assumptions were independently reviewed in October 2011 by the Economics Team at AECOM, a worldwide professional technical and management support services firm. They have looked at the attendance and financial projections and have concluded that the i360 should achieve just under 800,000 visitors in its first year of operation and an operating profit of approx. £6.7m per annum.

The attendance forecasts vary between a high forecast of 1m and a low forecast of 600,000. The table below shows the estimated profit that would be achieved if visitor numbers and the amount each visitor will spend are lower than anticipated, for example if visitor numbers are 10% lower than anticipated at 720,000 and income per visitor is 10% lower than anticipated then the profit forecast will be £5.4m in year one.

Forecast Operating Profit in Year 1

Assumed Visitor numbers	800,000 (Base Case)	720,000	600,000 (Low forecast)	480,000
Total Assumed Income per Visitor (Including VAT)	Forecast Profit £ million	Forecast Profit £ million	Forecast Profit £ million	Forecast Profit £ million
Base Case	6.7	6.0	5.0	4.0
Base Case less 10%	6.0	5.4	4.5	3.6
Base Case less 25%	5.1	4.6	3.8	3.1
Base Case less 40%	4.1	3.7	3.1	2.5

The operating profit needs to be sufficient to meet the costs of the debt finance. These are estimated to be approx. £2.5m in interest and provisions for loan repayment on a £17.8m debt. The operating profit is therefore sufficient to meet these costs even if visitor numbers fall significantly below the low forecast and income per visitor is 40% below the base case. The debt interest and repayment charges will be met before any dividend is paid to the equity investors.

3.11 Due Diligence

Finance officers have reviewed the business case and AECOM reports in detail discussing and testing assumptions with the i360 team and undertaking key sensitivities to ensure the financial modelling is robust. A full financial audit will be undertaken using appropriate financial and property advisers as part of the due diligence process prior to Policy & Resources Committee in July and the business case will be included in the papers for that Committee.

3.12 Financial benefits to the council from the i360 development

The potential financial benefits to the council once the i360 is operational come directly from the scheme and from the knock-on effect to other local businesses.

Direct financial benefits:

- S106 revenue payments will be triggered generating an annual income share of 1% of gross ticket revenues worth an estimated £70,000 per annum. This will enable £1.76m investment in the surrounding seafront filling the gap in the seafront redevelopment as detailed in paragraph 3.7 (v).
- From April 2013, as part of major changes to local government finance the council will also receive a significant share of any growth in business rates. The i360 development is expected to pay approx. £120,000 per annum potentially from early summer 2014.

Indirect financial benefits:

- There is the potential for further growth in business rates from private investment in new businesses and existing business expansion generated by the increased number of visitors particularly in those areas close to the i360.
- The council-owned Regency Square Car Park is located very close to the i360 and car parking income is also likely to increase.
- The council owns the seafront arches either side of the i360 most of which do not generate any income as they need investment to bring them back into use and the business case for investment is not currently sustainable. Road strengthening works are due to be carried out in October 2012 on the arches west of the i360. Development of the i360 will almost certainly make the investment in internal refurbishment of these arches for final letting viable. It will also support the case for refurbishment of the eastern arches. The eastern and western arches will then become a significant source of additional

revenue to the council, as they have along other parts of the seafront, generating business rates income and greater income from lettings.

3.13 **Bidding for Growing Places Funds from the Coast to Capital Local Economic Partnership (C2CLEP)**

The council made an initial bid of £3m investment from the £23m Growing Places Fund allocated to the C2CLEP. The bid was approved by the Board on the 25 April 2012 subject to due diligence and agreement of terms. As part of the terms, the LEP will expect to receive a commercial return on their investment and early repayment of their investment (over 3 years after construction) into their revolving fund so that they can support other schemes. As potentially the senior debt funder, the council will need to negotiate all the terms with Brighton i360 Ltd and the LEP. The investment by the LEP will reduce the funding gap to £14m and similarly reduce the risk exposure of the council.

3.14 **Options**

The i360 team includes GVA Financial Consulting who have been employed to advise Brighton i360 Ltd on financing options to help secure funding for the project. GVA have worked on a wide range of projects and have experience of the accounting and legal requirements necessary to successfully deliver council support on a number of schemes including projects with the London Boroughs of Croydon and Brent. Council officers have worked closely with GVA to identify the different ways in which council support could help finalise the funding package for the i360.

3.15 The options available to the council are as follows:

Preferred Option:

1. The council provides debt funding to the project for the balance outstanding. The analysis shows that this option is roughly equivalent in risk to the other options but provides much more security and the potential for a significantly greater return.

Other Options:

2. The council uses its cash balances as security against the debt repayments with the debt provided by a bank or similar organisation.
3. The council provides security by taking a sub-lease from the debt provider, usually a pension fund, and then grants a sub-lease to the operator. Debt repayments take the form of rent paid by the operator to the council, and then by the council to the funding pension fund.
4. The council provides a guarantee to the funding bank or similar organisation of the capital and/or revenue payments from the project.

Appendix 1 sets out a summary assessment of each option covering the financial outlay and impact, security available to the council, risk of financial loss and the financial return. If it is agreed by Cabinet, it is therefore recommended that officers negotiate terms with Brighton i360

Ltd on the basis of the council providing debt funding. The following sections provide more information on what is entailed.

3.16 Council provides debt funding

The council would act as a bank entering into a loan agreement with Brighton i360 Ltd. The legal powers to do this are covered in the legal implications of this report and the council would use its borrowing powers under the Prudential Code for Capital Finance, where the council must be able to demonstrate that the borrowing is affordable. Any decision to take up this borrowing will not impact upon any future borrowing decisions on other schemes, which will be considered separately on their individual merits.

There are a number of issues the council will need to take into account should the council agree to provide debt funding to Brighton i360 Ltd:

- **Legality** – Section 5.1 of this report sets out the powers that the council may use in order to provide debt financing.
- **State Aid** – In order to comply, the council must consider all aspects within the terms and conditions of what would be normal commercial practice when making the loan.
- **The length of the loan** – Initial discussions have indicated that a loan over approximately 12 years is required, i.e. for the construction period plus 10 operational years. Earlier repayment may be possible through refinancing and the council will need to ensure that refinancing clauses within the loan agreement protect its financial return.
- **Security of loan and interest payments** – It is imperative that the debt financing is repaid over the period agreed between the parties. The council will secure the loan over the assets and revenues of the company. This is standard commercial practice and ensures that repayment of the loan together with all interest and other charges are fully met in preference to equity holders receiving a dividend.
- **Funding** – In order for the council to lend to the company it will need to borrow funds from the financial market (i.e. the PWLB or other commercial lender). The council will be responsible for repayment of the loan and interest payments. The borrowing will form part of the limit set annually by full Council and the amount outstanding will create a liability on the council's balance sheet. The Prudential Code requires the council to ensure all borrowing is affordable, prudent and sustainable. Failure by Brighton i360 Ltd to repay debt and/or interest in a timely manner will result in the council using other resources to meet the requirements of the Code.
- **Accounting** – The council will need to ensure that all aspects of the proposal are properly reflected in the accounts and conform with current codes of practice. The prudential indicators required by the Prudential Code and approved annually by full Council will reflect the terms of the new borrowing, whilst the annual Treasury Management Policy Statement also approved by Members will include measures for the raising of the new debt and the planned repayment.

3.17 **Benefits and risks**

The council will recover all fees and charges associated with organising the loan, covering the full costs of council time and ensuring comparability with the wider commercial marketplace.

State Aid rules mean that the council must charge the going commercial rate on the loan. In determining the rate to charge Brighton i360 Ltd, the council will take into account the cost to the council of borrowing the funds plus a premium to reflect the commercial risk that a project of this nature necessitates and the on-going costs in administering the loan. The risk premium is estimated to generate a net return to the council on a £14m loan of approx. £0.5m per annum. This should in the early phases of the project be set aside as a contingency to cover off potential risks, but as the project progresses and income streams are established (and thereby reducing risk) it can be released into the budget. Members will need to determine how this money will be used, but an option would be to set up an investment fund which would support projects designed to help the poorest and most vulnerable in the community.

The principal financial risk is repayment of the loan and payment of the loan interest. The payments will be met from the operating profit and the table in paragraph 3.10 shows a range of sensitivities on the key variables, which show that even a 40% reduction in visitors and income would still enable sufficient profit (£2.5m) to be made to more than cover the anticipated debt payments. As the project progresses the debt payments could also be secured against guaranteed income streams from, for example, marketing, naming rights and catering concessions. Brighton i360 Ltd will provide a list of potential sponsors for the council to approve before detailed negotiations take place with sponsors. At this early stage it is estimated that the income streams from sponsorship and concessions could exceed £1m per annum. The council would also secure the loan through a combination of the following securities:

- **First Charge** – taken over the land and buildings which form the primary security for the loan. This would be registered against the property title in the land registry.
- **First Floating Charge** – taken over moveable assets including vehicles, moveable equipment, furniture and cash, which is less secure as items can be sold.
- **Step-in-rights** – provides the lender with the ability to take over construction/operations of the development or business if there is a default under the loan (e.g. a failure to pay interest or capital).
- **Interest on Insurance Contracts** – the lender has their interest noted on insurance contracts both during construction and operation.

3.18 **Negotiation issues**

In order that the debt financing is not classified as State Aid the council must treat the arrangement with Brighton i360 Ltd to be E.U. State Aid

compliant. Consequently, the council will need to negotiate with the company on the following issues:

- **Interest rate / risk premium** – In arriving at an interest rate a commercial funder would take into account a number of factors – (a) the opportunity cost of not having the funds available for other investments/projects, (b) a premium to reflect the risk the funder was taking in advancing the funds to the company, (c) a margin to reflect any on-going costs associated with the loan.

The major area for negotiation will be the level of premium over and above the council's cost of borrowing. It is highly likely that any commercial funder would view the project as high risk on the grounds that the company has been set up specifically to build and operate the facility and therefore has no commercial track record.

- **Repayment period / tranches** – A commercial bank would require certainty over the profile of debt repayments (i.e. instalments) and interest payments and would expect these to be incorporated within the company's final business case to evidence that repayment is achievable. The bank would impose a number of key ratios that are designed to keep the revenues within the company and place restrictions on dividend payments to shareholders. These ratios ensure the company retains sufficient funds to meet its operational and debt financing liabilities.
- **Security over revenues /assets** – A commercial funder will require security over all revenues and assets sufficient to meet the outstanding debt and interest payments. The council will seek similar security in addition to "step-in" rights discussed below.
- **Step-in rights** – In a worst case scenario whereby the i360 company is unable to attract sufficient numbers to generate revenue to meet interest payments, a commercial funder would protect its investment by exercising "step-in" rights that could range from a change in the company's management structure, a new company being selected to run the facility, or in the worst case scenario, running the company directly until the loan has been repaid and all interest paid.
- **Phasing of injection of shareholder funds** - The council will seek to reduce its exposure to risk during the construction period by negotiating with Brighton i360 Ltd and the LEP about the timing of the payment of their funding contributions. The shareholders have indicated that they would prefer funds to be injected on a pro-rata basis from the outset.

3.19 Timing

Timing of the project is a key consideration in relation to funding decisions on the i360:

- (i) Arch strengthening works are due to start on site in October 2012 to the west side of the West Pier. This will cause some level of disruption to the seafront (although this will be largely contained off road).
- (ii) Arch strengthening to the east of the West Pier may (subject to final funding confirmation) be progressed towards the latter part of the current financial year (in March 2013 onwards).
- (iii) Works to the Regency Square Car Park will be completed in summer 2012 which will allow for improved traffic management from Regency Square and improved crossing points for pedestrians.

If a funding solution is found for the i360 by July 2012 it will be able to start on site at the same time as the planned construction works to the seafront arches. By programming the i360 to start construction alongside these works, the total time period for disruption on the seafront can be significantly minimised and the most disruptive work for the public can be timed to take place within the winter months.

4. CONSULTATION

- 4.1 A Risk Workshop was held in February 2012 with the MBA team and their Employers Agent and key officers.
- 4.2 Extensive public consultation took place on the i360 project as part of the Planning Application in 2006. The project received much public and business support. A copy of the planning reports can be viewed on the council's website [Planning Application Sub Committee 11 October 2006].
- 4.3 It is also proposed to set up a consultative group to agree final recommendations for the landscaping proposals. Terms of Reference will be reported back in July.

5. COMPLIANCE ISSUES – LEGAL/FINANCIAL & OTHER IMPLICATIONS:

Legal implications/statutory framework:

- 5.1. Section 2 of the Local Government Act 2003 enables the council to do things which are likely to achieve the promotion or improvement of the economic, social or environmental well-being of their area. The previous council administration considered a proposal to support the i360 using these wellbeing provisions and the option of a council guarantee to support bank lending. Under the previous Government's guidance on wellbeing, it was considered that the term "promotion of economic, social or environmental well-being" was sufficiently broad to include cultural well-being generally, and in the case of the i360 it would appear that all three elements – economic, social and environmental - would be satisfied. The statutory provision is broad enough to enable the council to act as a funder of this project without the need to set up a special purpose vehicle (SPV).
- 5.2 The Localism Act 2011 gives a general power of competence which enables the council to do anything that a competent individual can do provided that it is not otherwise restricted by legislation. In other words, it

changes the old presumption that “the council cannot do it unless expressly empowered” to the new presumption that “the council can do it unless expressly restricted or prohibited”. This power includes lending money, although it may be necessary to set up a SPV if commercial activity requirements in the Act are considered to have been triggered.

- 5.3 When the Localism Act came in to force this provision was not of immediate effect. However, it was intended that when it did come into force, the wellbeing provisions in the 2003 Act would be repealed. However, the general power was brought in to effect earlier than planned and the wellbeing provisions have not yet been repealed. It may be considered prudent to assume that the 2011 powers will be relied on, but this can be clarified in the counsel’s opinion referred to below, which will be referred to in the follow up report referred to in recommendation 2.4.
- 5.4 Provided that any loan made to Brighton i360 Ltd is at commercial rates there would be a strong argument that no commercial advantage or market distortion has arisen, which would support a finding that there would be no State Aid implications.
- 5.5 So as to ensure compliance and probity in relation to this project, if the recommendations in this report are agreed it is proposed that counsel advice is also sought to confirm the appropriate use of powers and any State Aid implications.
- 5.6 The Big Wheel at Daltons Bastion, Madeira Drive will be given appropriate notice as required by the terms of the lease and licence from the council.

Legal officer consulted: Bob Bruce

Date: 17/04/12

Financial Implications:

- 5.7 The detailed financial implications are covered within the body of the report. The council will need to incur costs to enter into negotiations and to start drafting the agreement documents to ensure all the key negotiations points are identified. These costs are likely to cover the costs of counsel’s opinion and the appointment of specialist legal, property and financial advisors to protect the council’s interests. All of these costs will be fully reimbursed from the project and relevant provisions have been made within the business case. Brighton i360 Ltd have accepted in principle to underwrite all reasonable costs incurred prior to the loan agreement being signed. This would ensure that the council is not left to pick up costs if the loan agreement does not proceed.

Finance officer consulted: Mark Ireland

Date: 17/04/12

Equalities Implications:

- 5.8 An Access Statement accompanied the planning application and demonstrated a very clear understanding of the issues, setting out an approach to inclusive design judged to be the right approach by the Access Officer.

Sustainability Implications:

- 5.9 The operating company for the i360 will become a member of the Green Tourism Business Scheme and will promote environmental awareness and sustainability. Staff will be trained to reduce waste and conserve energy and resources. Energy use for the i360 will be sourced from a renewable supplier and supplemented by wind turbine energy on-site.

Crime & Disorder Implications:

- 5.10 Sussex Police Community Safety Branch commented at the planning stage: "The proposed development will enhance the location considerably, providing a safe and secure environment. The applicant has made a commitment to seek approval under the police initiative 'Secured by Design' which shows absolute commitment to policy QD7 of the Brighton & Hove Local Plan".

Risk and Opportunity Management Implications:

- 5.11 Council officers have been developing a risk & opportunity register which has applied the council's approved Risk Management Strategy methodology and has considered "*the effect of uncertainty on objectives*" in respect of this project and that "*an effect is a positive or negative deviation from what is expected*"¹. There are some direct links to risks contained in the council's Strategic Risk Register. Detailed opportunities and risks presented by this project will be reported to Policy & Resources Committee in Part 2 in July 2012 and it is proposed that a briefing session is held with key Members prior to the July Committee meeting.

Corporate / Citywide Implications:

- 5.12 The Risk & Opportunity Register directly relates to corporate and city-wide implications and these will be addressed as part of the above.

6. EVALUATION OF ALTERNATIVE OPTION(S):

- 6.1 These are set out in the main body of the report (3.15).

7. REASONS FOR REPORT RECOMMENDATIONS:

- 7.1 These are set out in 3.8 in the report.

SUPPORTING DOCUMENTATION

Appendices:

Appendix One: Summary of security, risks and rewards of each approach

Documents in Members' Room:

- Planning Report 2006/07

¹ The definitions of Risk from the International Standard for Risk Management (ISO 31000)

APPENDIX 2

i360 Due Diligence June 2012– Items covered during Due Diligence by Brighton & Hove City Council and the Local Enterprise Partnership

A) STATUTORY PLANNING STATUS <ul style="list-style-type: none"> Written Evidence / Statement of Planning Strategy Approach, Timescales, Documentation for Planning Submission, and Pre-Application Discussions with the Planning Authority
<ul style="list-style-type: none"> Evidence of Planning Consent (Copy of Decision Notice or Committee Resolution)
<ul style="list-style-type: none"> Evidence of Discharge of Key Conditions of Planning Consent
<ul style="list-style-type: none"> Evidence / Statement of any other Consents required for Project Delivery
B) MARKET ANALYSIS & DEMAND EVIDENCE <ul style="list-style-type: none"> Market Analysis Undertaken
<ul style="list-style-type: none"> Marketing Strategy
C) FINANCIAL ARRANGEMENTS <ul style="list-style-type: none"> Evidence confirming all other Private and/or Public Funding / Financing critical for Project Delivery
<ul style="list-style-type: none"> Statement Confirming Loan is State Aid Compliant
D) LAND TITLE / INTERESTS <ul style="list-style-type: none"> Evidence of control over all Land / Property Interests required for delivery
<ul style="list-style-type: none"> Copies of Title Documents and/or Lease or Option Agreements
<ul style="list-style-type: none"> Evidence / Statement of any other Charges Over Land / Property Interests critical for Project Delivery
E) COST & VALUE APPRAISAL <ul style="list-style-type: none"> Evidence of professionally prepared Cost & Value Appraisal / Business Plan (latter if applicable)
<ul style="list-style-type: none"> Evidence of Design, Specification and Tender Brief
<ul style="list-style-type: none"> Evidence of Tendered Prices (if available)
F) DOCUMENTS IN ADDITION TO PROJECT DOCUMENTS TO BE ENTERED INTO BY BRIGHTON i360 LTD <ul style="list-style-type: none"> Agreement For Lease and Lease from West Pier Trust to Brighton i360

Ltd
<ul style="list-style-type: none"> Professional Appointments for the Design Team and Technical Consultants
<ul style="list-style-type: none"> Ancillary Documents required

3. DELIVERY MANAGEMENT

A) MANAGEMENT & GOVERNANCE

- Statement confirming Key Project Partners, Delivery Capability and Reporting
- Statement outlining Project Delivery Plan / Programme, detailing Key Milestones and Commitments to Development as a result of Securing of GPF Loan

B) OUTPUTS MONITORING & REPORTING

- Statement Confirming Proposal for monitoring and reporting Outputs Delivery

APPENDIX 3

DRAFT TIMETABLE TO FINANCIAL CLOSE:

2012	
Policy and Resources approval to proceed	12 July
Local Enterprise Partnership Investment Committee Approve £3m Loan	Date to be determined by completion of Due Diligence and Financial Close.
Tasks to be undertaken pre-financial close:	
Meeting/s with Brighton i360 team re final Conditions Precedent and residual matters	
Final Due Diligence completed	
Final re-draft of all documentation	
Final meeting with Brighton i360 team	
Final sign off by Officers	
Sign off by Chair of Policy and Resources, Director of Finance and Director of Place	
Financial Close - long stop date	September 2012
Mobilisation Period	2 months
Start On Site	Autumn 2012
Completion	March 2015

APPENDIX 4

Brighton i360 - TARGET VISITORS/CAPACITY

	Operation Statement July 2010
Ride time – start to finish 3 per hour * 30 minute ride time for Sky Bar during the evening.	20mins
Maximum Pod capacity	200
Visitors per annum- based upon Aecom Medium projections in Year One.	800,000
Hours of operation per day (peak month – less in winter months)	12
Projections based on above:	
Average no of rides per day over 12 month period (see note below)	27
Average maximum daily capacity	5400
Maximum annual capacity based on 50 week year	1,890,000
Visitors as % of capacity	42%

NB: Projections above assume the following operating periods:

Nov - Feb: 6 hours
 Mar/Apr 8 hours
 Sept/Oct: 8 hours
 May - Aug: 12 hours

AECOM Attractions: Projection Methodology

AECOM Economics, formerly known as Economics Research Associates (ERA), has been providing planning and development guidance to the leisure and tourism industry for over 50 years. During this time, AECOM Economics has acquired a depth of consulting experience in leisure and tourism that is unmatched within the industry. The firm has been instrumental in the planning, development and operational phases of many of the most well known recreation, entertainment, cultural, educational and tourist attractions.

Many of our projects involve the assessment of the feasibility of developing a new attraction. It is vital at the early stages of a project for solid, reasonable projections of business potential to be determined. AECOM Economics uses a well-established methodology to determine attendance and revenue forecasts focusing on a number of core factors:

- an accurate and realistic assessment of the size and nature of the current and future potential resident and tourist market population;
- a full and realistic assessment of the strengths and weaknesses of the site, location, and competitive environment;
- a competitive appraisal of the potential appeal of the concept and how it fits within the regional and national markets; and
- a detailed assessment of the attendance, market penetration, and financial performance of developments with comparable product and market characteristics that are already operating around the world.

This methodology, developed and refined by AECOM Economics over many years of practice, overcomes the main causes of over- or under-estimation and provides a sound basis for estimating the likely business cases. We draw heavily on the lessons – both positive and negative – from other developments around the world, and overlay this with thorough research into the local and regional marketplace to ensure that our projections are as accurate as possible.

The strength of our client list, representing the top operators in the industry, is the true benchmark of the quality of our product. In the table below, we list a few of the many projects that AECOM Economics has worked on and projected attendance levels against the actual attendance achieved.

ANTICIPATED AND ACHIEVED ATTENDANCE LEVELS

Attraction	AECOM Forecast Attendance	Actual Attendance
Am. Museum of Nat. History, Rose Center, NYC, U.S.	2.9 – 3.3 million	3.2 million
Getty Centre, Los Angeles, U.S.	1.2. – 1.4 million	1.4 million
London Eye, London, U.K.	2.6 – 3.2 million	3.0 million
PortAventura, Salou, Spain	2.0 – 3.0 million	2.7 million
Tennessee Aquarium, Tennessee, U.S.	720,000 – 880,000	940,000
Universal Studios, Hollywood, U.S. (initial year)	1.2 million	1.2 million
uShaka Marine World, Durban, South Africa	950,000 – 1.25 million	1.1 million

Source: AECOM and Individual Attractions

AECOM Economics Attendance Projections- Selected Case Studies

The Getty Center

AECOM Economics began working with The Getty Trust in 1984 to help plan their ambitious new Getty Center project in West Los Angeles. Our initial assignment was focused not on feasibility or overall planning, but on food service requirements for the new facility. That assignment led to more general planning of the overall facility requirements.

AECOM Economics worked on the project over a period of 12 years, and the initial round of work for The Getty Trust was during the design process. AECOM Economics developed a proprietary visitor flow simulation model to refine the program requirements and design. There was a hiatus of several years after the design was set and construction began. In the early '90s, AECOM Economics began a second round of work for The Getty Center focused on operational planning requirements.

Over the course of this engagement, AECOM Economics developed overall estimates of stabilized attendance levels for The Getty Center of 1.2 to 1.4 million visitors per annum. In the first year, The Getty Center realized attendance of approximately 1.8 million visitors, due to a first year surge resulting from intense awareness of the billion-dollar facility in Los Angeles and the art/cultural community worldwide. Attendance is currently running at a annual basis of approximately 1.3 million visitors.

Fiesta Texas

AECOM Economics was part of the planning team for the Fiesta Texas project in San Antonio, Texas. AECOM Economics conducted the initial feasibility study for USAA, the project owner. Opryland/Gaylord was the operator of the theme park and part of the planning team.

AECOM Economics forecast annual attendance levels of 2 million visitors for the project. The theme park achieved that level of attendance the first year. Following the first year, Opryland began to pull back from their theme park business operations, and attendance began to decline at the park. Six Flags was brought in and added new rides and attractions and the project has since been operating at annual attendance levels of approximately 2 million visitors.

Elitch Gardens

AECOM Economics was retained to assist Elitch Gardens in planning a new amusement park. The park had operated at an existing location in the Denver area for nearly 100 years. A new, expanded location was acquired in downtown Denver. The new park was planned on a tight capital budget of \$92 million. AECOM Economics forecast initial attendance levels of approximately 1.1 million visitors, increasing to 1.5 million visitors annually over time.

The park suffered in the early years from the limited capital budget and limited marketing efforts. The first year, the park attracted over 900,000 visitors. In the second year, the park attracted more than 800,000 visitors. Following the second year of operations, existing park ownership sold the park to Six Flags. Six Flags immediately invested approximately \$40 million in capital to complete the park, adding significant new rides and attractions. The park is now tracking on attendance levels of approximately 1.5 million visitors annually.

American Museum of Natural History – Rose Center

AECOM Economics was commissioned by the American Museum of Natural History to prepare an attendance estimate for the \$200 million Rose Center expansion. The magnitude of the attendance impact was the subject of much debate within the organization, and accurate numbers were important for planning for staffing, visitor services and visitor flow, as well as understanding the potential revenue impact.

AECOM Economics' analysis looked at historical attendance patterns for the museum, the impact of significant expansions on other institutions, and the competitive New York City market. Based on our analysis, AECOM Economics estimated a range of attendance from 2.9 million visitors to 3.3 million visitors. In FY 1998, the first (partial) year of operations, actual attendance was 2.8 million. By FY 2001, attendance had increased to 3.2 million. Subsequent to 2001, the events of 9/11 and other market factors have caused attendance numbers to retreat to 2.6 million visitors.

London Eye

As part of the planning process for the London Eye, AECOM Economics undertook an assessment of the potential throughput of the attraction. Research into international viewing towers, observation platforms and pleasure wheels around the world combined with an evaluation of the London attractions market led us to project annual admissions of between 2.6 and 3.2 million per annum.

The Eye opened in 2000 and was an immediate success. In the first year it attracted 3.0 million visits. Admissions increased during the following years and peaked at 4.0 million in 2003. Since that time, attendance levels have stabilised at around 3.5 million visits annually.

The Millennium Exhibition

In 1996, AECOM Economics were engaged to examine the potential for a major Expo-style event in London to celebrate the Millennium. With the previous event of this magnitude in the UK being the 1951 Festival of Britain, AECOM Economics undertook an extensive programme of international research into Expos and World's Fairs, the 1980s UK Garden Festivals, theme parks and major events.

Using information gained through this research and an examination of the London area market, AECOM Economics estimated that a major World's Fair with appropriate levels of investment in London could look to attract in the region of 11 to 16 million visits over a 12-month period. However, we concluded that such an event would require between 46 and 69 ha (110 to 165 acres) of land. The site under consideration in Greenwich was only 20 ha (49 acres), and AECOM Economics' view was that this site would only be capable of providing for 5.8 million visits.

The Millennium Exhibition ran from 1st January to 31st December 2000 on the 49 acre site. Total paying admissions were 5.875 million, within 75,000 of the projections made by AECOM Economics in 1996.

APPENDIX 6

Attendance Projections

AECOM projected that the unconstrained visitor attendance to the i360 will be 818k in the opening year stabilising at between 700k and 725k visitors a year five years after opening.

<u>Market</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
<i>Resident market</i>										
<i>Primary</i>	24,398	18,440	16,105	14,357	12,580	12,678	12,776	12,874	12,974	13,074
<i>Secondary</i>	239,156	180,753	170,006	146,845	123,316	124,269	125,229	126,197	127,172	128,154
<i>Subtotal</i>	263,554	199,192	186,110	161,202	135,897	136,947	138,005	139,071	140,145	141,228
<i>Tourist market</i>										
<i>Domestic</i>	337,119	369,297	371,143	372,999	374,864	376,738	378,622	380,515	382,418	384,330
<i>International</i>	152,357	184,657	186,503	188,368	190,252	192,155	194,076	196,017	197,977	199,957
<i>Subtotal</i>	489,476	553,954	557,647	561,367	565,116	568,893	572,698	576,532	580,395	584,287
<i>Total</i>	753,030	753,146	743,757	722,569	701,013	705,840	710,703	715,603	720,540	725,515

AECOM use a methodology for predicting visitor numbers which is based on considering the size and nature of the local market; an assessment of the site; and how comparable attractions have performed. AECOM has over 50 years experience of providing this kind of advice and have an excellent track record of getting visitor number projections right for visitor attractions in the UK and overseas – usually predicting visitor numbers spot on or being conservative and predicting a lower number than what is actually achieved. For example, they did the business plan for the London Eye and predicted 2.6-3.2m visitors per year; whilst it has achieved 3.5m-4m annually.

The site attributes

According to AECOM, “the site meets a number of key success criteria for an attraction development such as being located close to the town centre and hence population and tourists, and being located close to the main Brighton attractions such as Brighton Pier and the Royal Pavilion”. They noted that being adjacent to the seafront is of benefit and that 5m people a year visit Brighton beach; proximity to the Brighton Centre, Hilton and Brighton Grand were seen as positive factors in bringing the conference market to the i360. It was noted that Brighton has good public transport and road access.

Market size

Brighton benefits from a large local market of over 20m people. This includes 12.5m people living within two hours travel of the site in 2013, which is the maximum distance that people typically will travel for a day out (split into 1.5m people living in the ‘Primary market’ of 0-60

minutes drive and 11m living in the 'Secondary market' of 60-120 minutes drive of the site). A further 7.6m tourists stay within one hour travel time of Brighton.

The drive time catchment area is shown below. As can be seen this catchment includes Sussex, Kent, Surrey, Hampshire, the majority of Greater London, as well as parts of Essex and Berkshire:



Therefore, 700,000 to 800,000 visitors a year is equivalent to a penetration of between 3.6% and 4% of this market.

UK comparators

There are three UK comparable observation experiences including the London Eye, Blackpool Tower and Spinnaker Tower in Portsmouth.

The London Eye (also designed by Marks-Barfield) with 3.6m to 4m visitors achieves 8.3 to 8.8% penetration of its market (total market size 44m including 19m residents in a 2 hour drive and 25m tourists) – so more than double predicted in the i360 business case. The London Eye's performance is particularly impressive when you consider the level of competition in London from other attractions and world-class free museums. To put this in context, if the Brighton i360 performed as well, this would mean it would achieve around 1.7m visitors a year.

Blackpool Tower after years of under-investment was receiving 500k visitors, down from 700k in its heyday. It has recently had a major refurbishment and its operation has been taken over

by Merlin Entertainments, the UK and Europe's largest visitor attraction company. Merlin is predicting that it will 800,000 visitors a year. If this level is achieved, it would be equivalent to 4.6% penetration of the local market (17.3m total market size including 10.6m residents and 6.7m tourists); again ahead of the penetration level predicted in the Brighton i360 business plan. Equivalent visitor numbers in the larger Brighton market would mean 930k visitors a year to the i360.

The Spinnaker Tower achieves around 360k visitors a year, which is equivalent to a 2.3% penetration level of its market. The market in Portsmouth is 23% smaller than in Brighton with a total market size of 15.5m including 10.7m people in a 2 hour drive and 4.8m tourists. If the Brighton i360 performed as poorly as the Spinnaker this would be equivalent to 470,000 visitors a year here. This is significantly more visitors than is required to repay the loan to the Council. It should be noted that the Portsmouth and Brighton markets are quite different. Portsmouth is characterised by its large port and the Gun Wharfs shopping centre. It doesn't have the large well-established conference and tourist market of Brighton and doesn't organise the sorts of major events that take place here that such as the Brighton festival or Gay Pride. Brighton is a much better location for a visitor attraction.

A comparison of UK observation experiences

	EDF Energy London Eye	Brighton i360	Blackpool Tower Eye	Spinnaker Tower
Owner/ operator	Merlin Entertainment Group have owned and operated the London Eye since 2007.	Brighton i360 Ltd	Blackpool Borough Council since March 2010. Operated by Merlin Entertainment since Sept 2011.	Portsmouth City Council owns the Spinnaker. It is operated by Continuum Group.
Capital cost	£80m	£35m	£42,000 (£16m recently invested into Blackpool Tower)	£38m
Opening date	March 2000	2014	May 1894	October 2005
Attendance	3.75m-4.1m	700k (818k peak)	465k (peak 1.3m) Merlin target 800k	360k (peak 530k)
Market size	44.4m	20.1m	17.3m	15.5m
Residents				
Primary 0-60 minute drive)	8.9m	0.6m	2.7m	1.8m
Secondary (60-120 min drive)	10.1m	11.9m	7.9m	8.9m
Subtotal resident	19.1m	12.5m	10.6m	10.7m
Tourists				
Domestic staying >1 hour	10.8m	6.1m	5.5m	4m
International staying >1 hour	14.6m	1.5m	1.2m	0.8m
Subtotal tourist	25.3m	7.6m	6.7m	4.8m
Market penetration	8.3% (8.8% peak)	3.6% (4.1% peak)	2.7% (3.5% peak; 4.6% Merlin target)	2.3% (3.4% peak)
Brighton attendance*	1.66m (1.76m peak)	N/A	532k (699k peak; 923k Merlin target)	471k (684k peak)
Pricing	2012 pricing: Adult £18.90 Child (4-15) £9.90 Senior* £15.00 * Excludes weekends & Jul/Aug	2012 pricing: Pricing to be confirmed nearer to completion	2012 pricing: Adult £12.60 Child (3-14) £9.60 No senior discount No resident discount	2012 pricing: Adult £8.25 Child (3-15) £6.55 Senior (60+) £7.40 Resident* £6.15 * Excludes special event days
Website	www.londoneye.com	www.brightoni360.co.uk	www.theblackpooltower.com	www.spinnakertower.co.uk

* If the same market penetration level were achieved for this observation experience in a market of the size of Brighton, this would be equivalent to this attendance level.

	EDF Energy London Eye	Brighton i360	Blackpool Tower Eye	Spinnaker Tower
Visitor experience	<p>Giant observation wheel. Customers board one of 32 fully enclosed 'capsules' and ride slowly up to 135m. A ride offers panoramic 360° changing views of London's major landmarks.</p> <p>Each capsule can accommodate 25 people and is air conditioned with bench seating. Tablets are being installed in all capsules with interactive touch screen maps.</p> <p>A ride lasts 30 minutes. The ticket also includes a free 4D cinema experience (lasting 4 minutes). Fast Track entry or Champagne Flights for an additional fee.</p>	<p>Like the London Eye, visitors board the giant pod and ride slowly up to 139m. A ride offers panoramic 360° changing views of Brighton, the South Coast and South Downs.</p> <p>The pod can accommodate up to 200 people and is fully air-conditioned with bench seating. A guide is onboard to point out all the sites and answer customers' questions.</p> <p>Rides will last 20 minutes by day (30 minutes at night) The ticket will also include a free exhibition about the historic West Pier. At night, the i360 transforms into the 'Sky Bar', a chic and unique venue.</p>	<p>The Blackpool Tower Eye is a traditional viewing tower with an internal lift taking customers up to a 100m high enclosed viewing platform. Customers can walk up stairs to additional viewing platforms at 105m (enclosed) and 110m (open deck). The view can be enjoyed to the East, South and West (the North side is obscured by the lift). Highlights include Portsmouth's historic dockyard and Isle of Wight.</p> <p>An average dwell time is estimated at 20-30 minutes. The tower now incorporates a "Sky walk" glass floor. The ticket price also incorporates a 4D cinema.</p> <p>The tower building also incorporates other attractions including a Circus, the Ballroom and Dungeons (additional charge).</p>	<p>The Spinnaker Tower is a traditional viewing tower with an internal lift taking customers up to a 100m high enclosed viewing platform. Customers can walk up stairs to additional viewing platforms at 105m (enclosed) and 110m (open deck). The view can be enjoyed to the East, South and West (the North side is obscured by the lift). Highlights include Portsmouth's historic dockyard and Isle of Wight.</p> <p>Average dwell times is estimated at 20-30 minutes. It incorporates a glass walk way. Please note the external panoramic lift but has never opened.</p>
Location	<p>Located on the South Bank in Central London on the main tourist trail. Within walking distance of other major attractions including Houses of Parliament, Trafalgar Square and Tate Modern. Very high footfall in the immediate vicinity of the site.</p>	<p>Located on Brighton beach in the heart of the tourist zone with 5m footfall. Within walking distance of Brighton Pier, SEA LIFE Centre and Royal Pavilion. Adjacent to the city's four star hotels and Brighton Centre with extensive conference and business trade.</p>	<p>Located on the promenade at Blackpool Beach in the heart of the tourist zone. It is 1.9 miles from Blackpool Pleasure Beach (5.5-6m visitors) and within walking distance of SEA LIFE centre and Madame Tussaud's.</p>	<p>Located in Gun Wharf Quay, Portsmouth's main shopping district. It is adjacent Portsmouth's Historic Dockyard (470k visitors), which is the City's major attraction.</p>
Site access	<p>Excellent public transport links: 0.3 miles from Waterloo train /tube station; 0.4 miles from Westminster tube station.</p>	<p>0.9 miles from Brighton train station with services to London (Victoria > 1 hour, the City & St Pancras Int'l), Gatwick and, Luton airports and Ashford Int'l. Gatwick (> 30 mins) is the UK's 2nd largest airport serving 200+ destinations in 90 countries; 33m passengers.</p>	<p>0.6 miles from Blackpool North train station with services to Manchester, Liverpool and York. Blackpool airport is a small regional airport serving 20 destinations and carrying 500k visitors.</p>	<p>0.1 miles Portsmouth Harbour train station with services to London (2 hours), Brighton and Cardiff. It is a 30 minute drive from Southampton airport serving 46 destinations and carrying 1.8m passengers.</p>

Tourism market characteristics	EDF Energy London Eye	Brighton i360	Blackpool Tower Eye	Spinnaker Tower
	<p>Visitor profile</p> <p>Staying 17% Day trippers 83%</p> <p>Origin visitors (staying)</p> <p>Overseas 57% South East 8% Other UK 35%</p> <p>Reason for visit</p> <p>Holiday 52% UK/ 62% Int'l VFR 35% UK/ 21% Int'l Business 10% UK/ 8% Int'l Other/Study 2% UK/ 9% Int'l</p> <p>Average length of stay</p> <p>Staying visitors (UK) 2.3 days Staying visitors (Int'l) 6.7 days Day trippers 4.6 hours</p> <p>Repeat visits</p> <p>94% UK staying; 61% Int'l staying and 98% of day visitors are repeat.</p> <p>Socio demographic profile</p> <p>Not measured.</p>	<p>Visitor profile</p> <p>Staying 19% Day trippers 81%</p> <p>Origin of visitors</p> <p>Overseas 20% South East/ London 53% Other UK 27%</p> <p>Reason for visit</p> <p>Holiday 54% VFR 11% Business 9% Other/ Study 26%</p> <p>Average length of stay</p> <p>Staying visitors 2.8 days. Day trippers 5 hours</p> <p>Repeat visits</p> <p>64% are repeat visitors.</p> <p>Socio demographic profile</p> <p>Brighton Entire UK AB 33% 26% C1 41% 29% C2DE 26% 45%</p>	<p>Visitor profile</p> <p>Staying 24% Day trippers 76%</p> <p>Origin of visitors</p> <p>Overseas 7% North West/Yorkshire 60% Other UK 33%</p> <p>Reason for visit</p> <p>No data available</p> <p>Average length of stay</p> <p>Staying visitors 5.45 days Day trippers 6.6 hours</p> <p>Repeat visits</p> <p>95% are repeat visitors. Half have visited 10 or more times before.</p> <p>Socio demographic profile</p> <p>Blackpool Entire UK AB 4% 26% C1 21% 29% C2DE 75% 45%</p>	<p>Visitor profile</p> <p>Staying 16% Day trippers 84%</p> <p>Origin of visitors</p> <p>Overseas 12% Hampshire 47% Other UK 41%</p> <p>Reason for visit</p> <p>Holiday 75% VFR 15% Business 1% Other/ Study 10%</p> <p>Average length of stay</p> <p>Staying visitors 3.8 days. Day trippers 5 hours Gun Wharf Quay 1.5 hours</p> <p>Repeat visits</p> <p>Unknown</p> <p>Socio demographic profile</p> <p>Gun Wharf Portsmouth AB 20% 29% C1 49% 40% C2DE 31% 31%</p>
Economic impact tourism	<p>Tourism employment</p> <p>347,600 jobs</p> <p>Visitor expenditure</p> <p>£22 billion</p>	<p>Tourism employment</p> <p>14,200 jobs</p> <p>Visitor expenditure</p> <p>£718m</p>	<p>Tourism employment</p> <p>11,000 jobs</p> <p>Visitor expenditure</p> <p>£545m</p>	<p>Tourism employment</p> <p>9,400 jobs</p> <p>Visitor expenditure</p> <p>£373m</p>

Competitors / local attraction market	EDF Energy London Eye	Brighton i360	Blackpool Tower Eye	Spinnaker Tower
	<p>Observation experiences</p> <p>Increasing number of high buildings being built, many expected to have observation decks: The Shard (London Bridge) opening 2013, The ArcelorMittal tower (Olympic Park) opening for Olympics and then from 2014.</p> <p>Visitor attractions (charged)</p> <p>London Eye 4.1m Tower of London 2.4m Madame Tussaud's 1.9m St Paul's 1.9m Westminster Abbey 1.4m Kew Gardens 1.2m London SEA LIFE 1.1m London Zoo 1m</p> <p>Major events</p> <p>Thames Festival 775k New Year's Day parade 500k Wimbledon Championship 490k Ideal Home Show 267k Chelsea Flower Show 401k</p> <p>Hotel stock</p> <p>271,380 bed spaces</p> <p>Occupancy</p> <p>74% (UK 61%)</p>	<p>Observation experiences</p> <p>None – a temporary Ferris wheel currently located in Brighton will close when Brighton i360 opens (a condition of its planning consent).</p> <p>Visitor attractions</p> <p>Brighton Pier 4.5m Royal Pavilion 310k Brighton SEA LIFE 290k Brighton Museum 228k</p> <p>Major events</p> <p>Brighton Festival 500k Gay Pride 120k London to Brighton bike 27k</p> <p>Hotel stock</p> <p>4,300 bed spaces in Brighton (2006 study); 227,480 in Surrey, Sussex and Kent (2010).</p> <p>Occupancy</p> <p>68% Brighton (2006 study)</p>	<p>Observation experiences</p> <p>The Big Wheel on Central Pier is 33m high and carries up to 216 passengers in its 26 carriages.</p> <p>Visitor attractions</p> <p>Blackpool Pleasure Beach 5.5m Blackpool Tower 465k Blackpool Zoo 337k Sandcastle Water park 225k Also not reported: Madame Tussaud's, Blackpool Pier, Blackpool SEA LIFE and Blackpool Dungeons.</p> <p>Major events</p> <p>Blackpool air show <i>Unknown</i> Blackpool dance festival <i>Unknown</i></p> <p>Hotel stock serviced</p> <p>91,000 bed spaces in Blackpool (mainly in small guest houses – 8,000 in hotels); 160,071 in Lancashire/ Manchester</p> <p>Occupancy</p> <p>46% North West</p>	<p>Observation experiences</p> <p>None</p> <p>Visitor attractions</p> <p>Historic Dockyard 469k HMS Victory 399k Spinnaker 360k Mary Rose 314k</p> <p>Major events</p> <p>No major annual events, but hosts some regattas/ maritime related events e.g., International Festival of the Sea 2005.</p> <p>Hotel stock</p> <p>142,320 in Hampshire & Isle of Wight.</p> <p>Occupancy</p> <p>48% South East (2010)</p>
Hotel sector				

Local Enterprise Partnership – Structure and Financing

The LEP will advance a loan to Brighton & Hove City Council and this will be lent on as a proportion of the larger loan advancement being issued by BHCC to Brighton i360 Ltd.

The structure of the financing and security package agreed is summarised below.

The chart in [Appendix 10] also illustrates.

1. C2C LEP will advance its £3m loan to BHCC, and then BHCC will on-lend [£17.8m] to Brighton i360 Ltd in two tranches.
2. BHCC will administer the loan with Brighton i360 in return for an agency fee from Brighton i360.
3. These two tranches will rank pari-passu (i.e. on equal terms) and between them will be advanced pro-rata. All terms will be identical except that the C2C LEP loan will be repaid over 3 years post-completion whereas the BHCC loan will be repaid over 10 years.
4. C2C LEP will advance its £3m loan in one payment at financial close to Brighton & Hove City Council and, until the amounts are actually drawn by Brighton i360 Ltd, BHCC will pass on a commitment fee equivalent to the interest received by BHCC for the amount on deposit.
5. C2C LEP will take project risk, so the funding will be effected by way of a sub-participation of the senior loan between BHCC and Brighton i360 Ltd. All risks and losses (if any) will be shared pro-rata by BHCC and C2C LEP and the relationship between the two funders will be governed by an industry standard style sub-participation agreement.
6. The credit agreement with Brighton i360 reflects this agreement.
7. The seniority of the BHCC / C2C LEP loan to Brighton i360 is reflected in the agreed Intercreditor Deed. The parties to this deed include (i) BHCC as senior lender of record, and (ii) the Brighton i360 Holdco (as junior lender) on the basis that this HoldCo will provide the junior debt and pin point equity.
8. "Senior Debt" (the loans from BHCC and C2C LEP) will rank above "Junior Debt" (the loans from the project's sponsors) – both in terms of payment and on an insolvency. However all Senior Debt will rank equally within itself and all Junior Debt will rank equally within itself.
9. Provisions protecting this seniority will be included in the Intercreditor Deed.
10. C2C LEP are not a party to the Intercreditor Deed – instead, BHCC takes the rights as a senior lender and will share those rights with C2C LEP through the sub-participation agreement.

11. An arrangement fee will be payable to BHCC at, or shortly after, financial close, calculated on the overall amount of the BHCC and C2CLEP loans. This arrangement fee will be shared, pro-rata, with C2CLEP.
12. Interest and commitment fees will be determined to reflect a normal commercial loan so as to address state aid concerns.



Brighton i360 and West Pier Visitor Centre Operational Statement



Marks Barfield Architects
working with
The Brighton West Pier Trust
Updated July 2012
doc. ref.: 285-500.043g

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2.	Time Ticketing System
3.	Visitor Patterns
4.	General Directional Distributions Of Arrivals
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Appendix 4:	Visitor Flows Alighting and Visitor Centre

1. Introduction

Aims of the Statement

This statement sets out the proposed operating procedures for Brighton i-360 and West Pier Visitor Centre. The purpose of the strategy is to actively manage visitors to the attraction and the operational area. This is for two main reasons:

- to ensure the best possible experience for i-360's customers, and
- to minimise the impacts of the attraction on the surrounding area

Operating Strategy

The statement is divided into 11 principal sections. These are as follows:

- Section 2.0 describes the timed ticket system at i-360.
- Section 3.0 summarises the visitor patterns to i-360 based on the development planning prepared by Eleanor Harris of i-Xperience Ltd.
- Section 4.0 describes the anticipated directional distribution of visitors.
- Section 5.0 describes the ticketing and other facilities including the Visitor Centre at the base of i-360 which form part of the planning submission, insofar as they are relevant to the Operating Strategy. It also sets out the procedures in relation to different types of ticket holders.
- Section 6.0 describes the operating characteristics in boarding and alighting.
- Section 7.0 explains the procedures adopted for disabled access.
- Section 8.0 sets out an outline approach for coach management.
- Section 9.0 outlines emergency evacuation and security.
- Section 10.0 sets out proposed monitoring procedures and mechanisms to review the strategy.

2. Time Ticketing System

Brighton i-360 will operate a time ticketing system, based on approximately twenty minute rides. Tickets will be available via a pre-booking system, either by phone or through the attraction's website. Approximately 45% will be pre-booked. The majority of the pre-booking transactions are likely to take place off site. The total number of tickets per twenty-minute ride will be based on the maximum capacity of 200 riders. The distribution by ticket type will be subject to variations, depending on demand. Adjustments will be made accordingly, responding to an active management policy.

Ticket collection will take place from one of the two rebuilt 1866 Tollbooths at the Upper Esplanade level off King's Road. There will be up to six ticket desks in the west Tollbooth for:

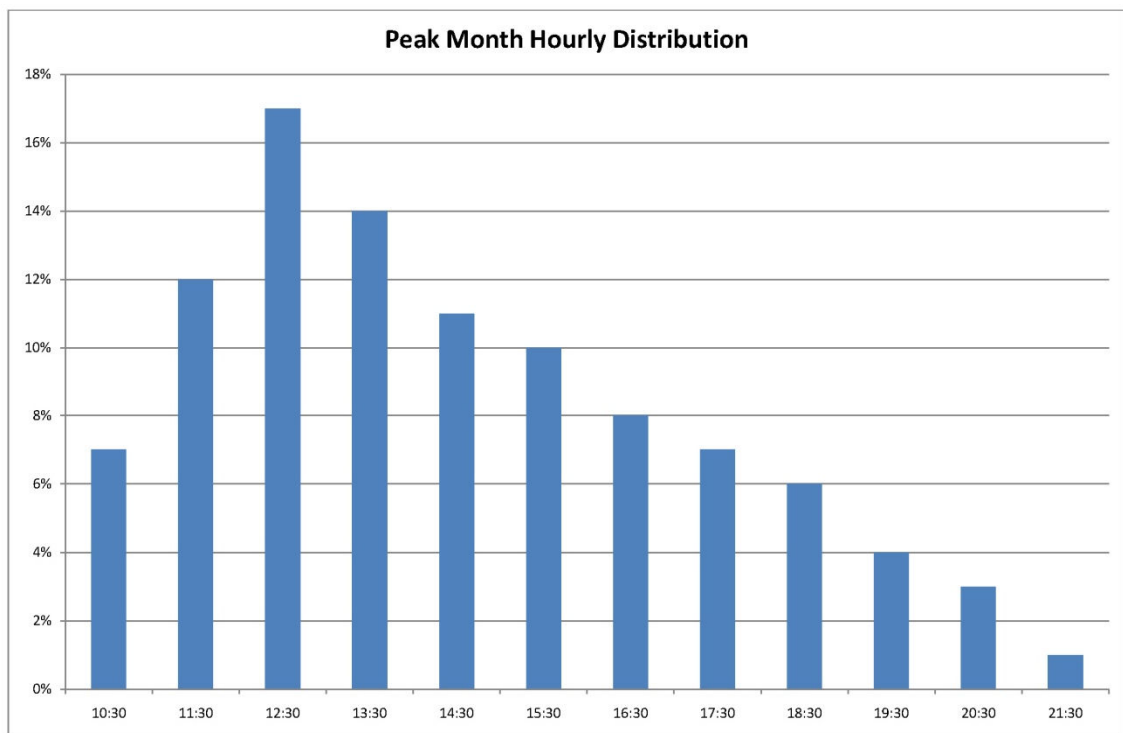
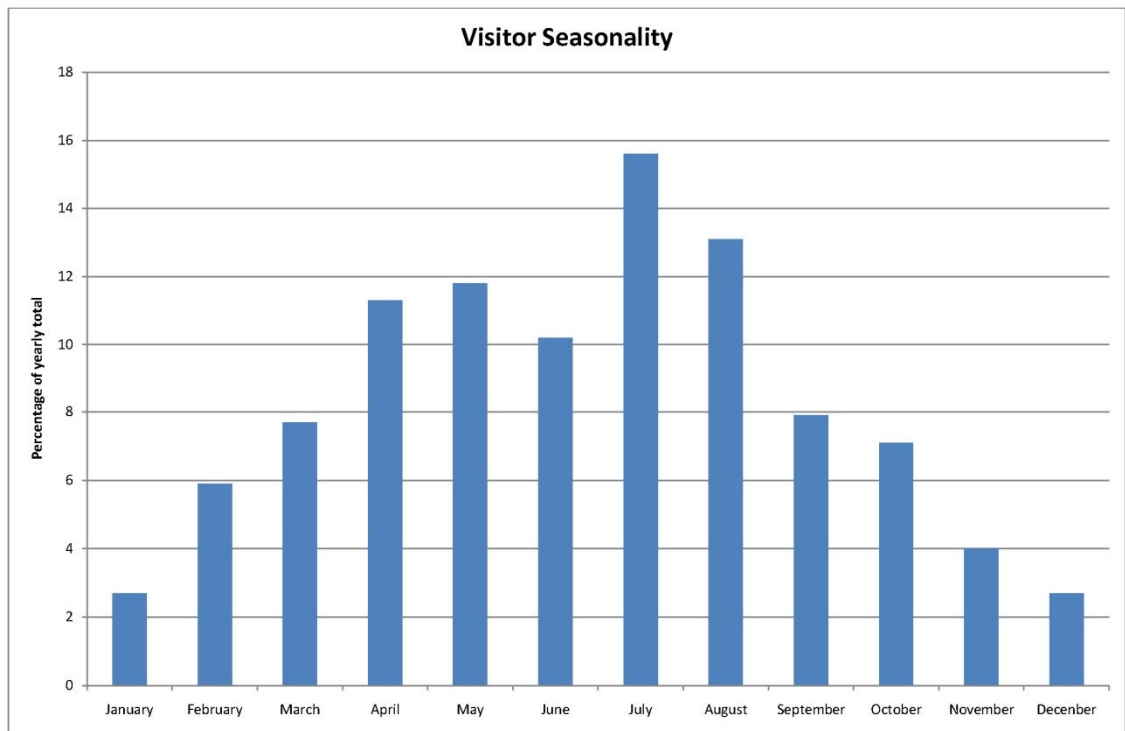
- Pre-booking Sales including vouchers, pre-booked tickets by phone or internet and future rides; and,

- Walk-up Sales Area for both the purchase and collection of tickets for “today’s rides”,

The east Tollbooth will have dedicated disabled ticket desks and a number of ticket collection machines available inside. Arrangements for ticket collection are described in more detail in Section 5.0 of this statement.

3. Visitor Patterns

Brighton i-360 is expected to attract around 800,000 visitors a year. The anticipated distribution of visits over this twelve-month period is shown on Figure 3.1 below. Visitor patterns will vary throughout the year with the summer months from May to August accounting for approximately one half of all annual visits. The peak month will be July, representing about 15% of the total annual visits, as would be expected for tourist attractions in the UK. The visits also fluctuate by day of the week with weekends attracting higher flows. The highest attendance will occur over a three-hour period, between 11:00 – 14:00 hours, accounting for around 40% of daily use.



4. General Directional Distributions Of Arrivals

At this stage it is not possible to accurately predict the directional distribution of arrivals in relation to the local pedestrian infrastructure for both a weekday and a weekend day. Table 4.1 below illustrates the projected distribution of the final walk trips on the local approaches to the attraction. The Lower Esplanade and Upper Esplanade act as the main pedestrian links east-west along the seafront at Brighton & Hove. They are connected via existing steps and ramped roads. Visitors with reduced mobility, using either of these approaches, have a step free access via the existing ramped roads. The proposed development will include two new public flights of steps and a disabled lift access between the two levels. These will provide access to the Tollbooths and ticket desks.

Table 4.1: Daily Pedestrian Trip Distribution to Brighton i-360

Location	Weekday	Weekend Day
Lower Esplanade	10.5%	8.6%
Upper Esplanade	24.5%	20%
Regency Square & Carparks	36%	37%
Taxi Drop-off / Pick-up	9%	9.4%
Bus Stops	10%	14%
Coach Drop-off / Pick-up	10%	11%
Total	100%	100%

Note: Upper Esplanade and Lower Esplanade Pedestrian trip distribution calculated based on 70% (Upper Esplanade) 30% (Lower Esplanade) ratio, which is assumed same for Weekday and Weekend day.

5. Ticketing And Other Facilities

Proposed Operation

All visitors who do not hold a valid timed ticket will need to obtain a ticket from the Ticket Tollbooth at the Upper Esplanade level off King's Road. The plans at Appendix 1 show the Upper Esplanade and Lower Esplanade configuration. In order to make best use of the available space and avoid congestion on the Upper Esplanade, the layout includes a dedicated ticket queuing area which can hold over 600 people.

Upper Esplanade Level

The main elements at the Upper Esplanade level are:

- Entrance to open-air boarding, open-air exhibition, and waiting area with seating.
- Ticket desks in restored west Tollbooths.
- Restored east Tollbooth with disabled ticket desks, ticket collection machines, retail and Disabled WC/Family change rooms.
- Queuing area for tickets for today, group/trade vouchers, tickets for tomorrow (and future dates).
- Staircases and lift access to Lower Esplanade level adjacent to east Tollbooth.
- Security checkpoints.

Lower Esplanade Level

The configuration of public floorspace at Lower Esplanade level accommodates:

- In-door exhibition areas
- Ladies and gents toilets
- Disabled WC/Family change room
- First aid room
- Retail area
- Coffee shop/restaurant and kitchen
- Flexible event space
- Staff facilities including changing rooms, showers, toilets and staff room
- Offices and meeting rooms
- Stores
- Plant rooms

Operation of the Space

The arrangements for guests arriving at the attraction are as follows:

- Signs at the entrances inform visitors of all the facilities available and the directions for purchasing or collection of timed tickets.
- Visitors wishing to ride and not holding a valid timed ticket must obtain a ticket from a Ticket Tollbooth.
- Visitors wishing to visit the coffee shop/restaurant or other facilities, are directed to the Lower Esplanade. Clear directional signs at the entrances along with the assistance of a Guest Service Assistant (GSA) enable visitors to make a choice quickly.
- To keep visitors informed of current availability and frequently asked questions, LED signs, plasmas or LCD screens may be discreetly displayed within or outside the Ticket Tollbooths or within the upper esplanade boarding area.

Visitors who may find it difficult to negotiate the steps, in particular wheelchair users, may access either level via the disabled lift, which will be working during normal operating hours of the attraction. The procedures for the various ticket types described in Section 2.0 are as follows:

Visitors holding a valid timed ticket

Some visitors will already be in possession of a valid ticket. If the time slot indicated on their ticket is currently boarding, visitors are directed immediately to the Boarding area at Upper Esplanade level.

Visitors collecting a pre-booked ticket

A number of visitors will have pre-booked tickets. The procedures for these visitors are as follows:

- Visitors who have pre-booked a ticket using their credit card can collect their ticket at one of the ticket collection machines in the east Tollbooth.
- Visitors who have booked a ride via a third party operator can exchange their ticket voucher for a timed ticket at one of the ticket counters in one of the the Tollbooths.
- Groups who have pre-booked can collect their ticket at the Groups Desk.

Visitors with no ticket

Visitors who wish to turn up on the day and purchase a ticket are catered for in the following way:

- Visitors without a timed ticket can go to one of the ticket counters in one of the Tollbooths, following the signs for
- "tickets for today".
- A flexible queuing system, using stainless steel queue barriers with removable poles or Tensa barriers, will be used to allow the queue area to be re-configured according to visitor numbers, and reduce the visual impact of the barrier system when the attraction is closed. Whilst in high seasons it may be necessary to operate the full queuing system in order to maximise the space available, in low season fewer queuing barriers would be in place.
- Signs and displays indicating ticket prices will be positioned in the queuing area.
- The cashiers and other GSA's in the area can provide further advice and information as required.

Visitors holding a trade ticket or voucher

Some visitors will hold a trade voucher or reservation number. Both reservation numbers and vouchers need to be exchanged for a valid timed ticket:

- Visitors holding a trade voucher are required to exchange it for a valid timed ticket.
- On arriving at the Tollbooth, the visitor either exchanges the voucher or gives a reservation number to a cashier. The visitor then receives a valid timed ticket.

Groups

Groups will be encouraged to pre-book and will have the option of having their tickets posted out to them. Pre-booked groups may use a priority group check-in desks to pay or collect their tickets. Experience of The

London Eye demonstrates that a majority of groups will pre-book. The procedure for groups is described below:

- The Group Leader establishes exactly how many tickets are required for the group.
- To purchase the tickets, the Group Leader goes to the Groups/Pre-booked Admissions desk, to collect valid timed tickets.
- Having collected the tickets, the Group Leader then returns to the group and distributes one ticket to each group member.
- During the allotted time slot, the whole group proceeds to the Boarding Area where tickets are visually checked and marked by a GSA.

The proposed flow of visitors is shown on the plan at Appendix 2.

6. Boarding And Alighting

Proposed Operation

The Boarding Area is defined by the area at the base of i-360 to the south of the Upper Esplanade from which access to the observation pod is possible. It has been designed to have a sufficient waiting area to ensure the smooth loading of the Brighton i-360 pod on peak days. Co-ordination with the ticket desks and GSA's will ensure that flows are managed onto the boarding area at the appropriate rate to keep boarding delays to a minimum. Alighting takes place at Lower Esplanade level directly.

Boarding Area

Access onto the boarding area is through security gates at Upper Esplanade level. The general procedures regarding the control of visitor flows from this point to the pod is described below.

- The entrance to the pre-boarding area is via two gates (opened depending on the number of visitors)
- Visitors with their timed ticket ready will have it scanned with a hand held scanner by a GSA. Scanners will only allow access of a valid timed ticket. GSA's will provide further advice if they have an invalid ticket. In the event of failure of the scanners, tickets will be manually checked.
- Only visitors holding a valid timed ticket are admitted into the boarding area. Visitors will be subject to a search.
- The GSA at the entrance of the boarding platform will manage the flow of visitors. The entrance area of the platform is considered a secure area, with members of the security team conducting searches of visitors and their bags.
- The following prohibited items cannot be taken on board: sharp objects or anything which may be considered a security risk including penknives, scissors, metal nailfiles, toy or replica guns. If such objects are found they will be checked in and returned after the ride providing the item is legal in the UK.
- The GSA manning the boarding area entrance (Boarding Gate) visually checks and marks the timed tickets.
- Only bags that are the equivalent size to airline hand luggage will be permitted into the boarding area and on the pod.
- A GSA will organise visitors into pod groups and will therefore monitor the flow of visitors in the Boarding Area, avoiding overcrowding.
- The Duty Manager will vary capacity for each ride, depending on the conditions on the day. For example if the ride stops, the numbers of visitors per pod can be increased to ensure there is no delay to the next ride.
- On a peak day, numbers may also be increased to accommodate all guests to avoid disappointment and long queues.

The boarding area is approximately 1,000m² with a maximum capacity for 600 visitors (@1.6m² per person) which is, at maximum capacity, equivalent to three pods. Visitors will, on average, wait on the boarding area for no longer than about 10 minutes, and generally for no longer than 20 minutes.

Pod Boarding

The pod boarding gates will be fully programmable or manually operated by the Ride Operator.

- When the pod is available for boarding, visitors will be called forward and the boarding gates will open. The GSA in the Boarding

Area will encourage visitors to move forward and board the pod, providing a helping hand if required.

- Families with children, visitors with special needs, or in wheelchairs, will board before other visitors.
- If a visitor does not wish to board the pod at the last minute, they will be asked to step to one side until the boarding process for that particular time slot is complete.
- The boarding and alighting areas (entry and exit) and boarding and alighting operations will be recorded via CCTV and available for viewing in real or delayed time by the Duty Manager.

Pod Operation

Visitors entering the pod are asked to move towards the back, so everyone can enter.

- The Ride Operator is inside the pod for the duration of the ride.
- When all the visitors have boarded, the Ride Operator will close the boarding gates.
- To initiate the ride cycle it is proposed that a double control method is adopted whereby both the Ride Operator and the GSA on the ground simultaneously press a nominated control switch (one inside and one outside the pod).
- After initiation the ride cycle is on automatic control with a slow ascent at approximately 20-40 centimetres per second, with a brief halt at the summit, before descending to the Lower Esplanade alighting level.
- During this phase the Ride Operator can communicate with the GSA on the ground.
- In an emergency, the Ride Operator or GSA on the ground can override the automatic control and select to stop the pod and/or return the pod to either level, and can communicate with the GSA on the ground or Duty Manager via radio.
- Just prior to the completion of a ride, and as the pod descends to the exit area, a safety message will inform visitors that the doors are about to open and to exit the pod. Other announcements include asking visitors to remember their personal belongings.
- An emergency button that can be activated by visitors will also be available in the pod in case the Ride Operator becomes incapacitated. This will initiate a sequence to return the pod to the ground.

Pod Alighting Area

When alighting into the Visitor Centre at Lower Esplanade level, visitors will be guided by the Ride Operator. As well as initiating the alighting process, the Ride Operator will complete his ride cycle by checking the pod for cleanliness and lost property. He will conduct a visual security sweep and initiate closing the doors and despatching the pod to the Upper Esplanade boarding level ready for the next group of visitors.

Exiting the Pod

Proposed visitor flows on exiting the pod are shown at Appendix 4. The location of GSA's is shown on the plans at Appendix 2. The Ride Operator is responsible for the safe operation of the attraction and has the facilities to:

- Stop the pod.
- Reduce or increase speed of the pod.
- Communicate to the ground via radio systems.

- Open and close boarding gates.
- Increase or decrease lighting level in the pod.
- Provide assistance for the visitors in the pod.

7. Disabled Access

Visitors in wheelchairs or visitors with walking disabilities wishing to purchase or collect tickets may use lower level till points provided in the Tollbooths. Staff will be on hand to assist where required. Once they are ready to board the pod, visitors in wheelchairs may go to the front gate where a member of staff will check their tickets. The visitors will be directed to the boarding gate and will be given priority when boarding. Staff members will assist the boarding and alighting process. Visitors with walking difficulties can also proceed to the front gate at the appropriate time. Staff will assist them in the boarding process. Where appropriate a chair will be provided for the visitor to the side of the boarding gate. The visitor may wait here until the pod is ready for boarding.

8. Coach Management

Brighton i-360 will be an active participant in ensuring the smooth management of coaches on this part of King's Road. Brighton i-360 will enter into discussions with Brighton and Hove City Council over the management of coaches in order to co-ordinate the visitor management of coach parties and keep any designated coach setting down and picking up bays as clear as possible.

9. Emergency Evacuation And Security Procedures

Emergency Evacuation

The primary issue for safety of visitors and employees is the certainty of being able to return the pod in all circumstances to one of the two platforms levels and the base of the ride. This will be assured by the following measures:

- Security of the main power supply.
- On-site temporary power generation facilities in the motor room.
- Redundancy designs of the cable/wheel/guide rail system such that the pod can be safely lowered to the ground even if one or more components fail.
- Internal access ladders through the tower available for trained members of the operations team to access the pod at high level from the summit position to assist in any emergency.

Operational Security

Brighton i-360 will liaise regularly with the Police and other agencies to ensure the security of the attraction, its staff and guests, as well as the surrounding area. Procedures will be regularly reviewed.

10. Monitoring

Proposed Procedure

In order to fulfil the key objectives of the proposed Operational Statement, regular reviews will take place. Flexibility is inherent in the Statement, enabling the Operator to react to particular circumstances. However, it is proposed that a review of the strategy should take place on an annual basis in the Autumn of each calendar year. This will allow the experience of the peak summer season to be taken into account when determining which aspects of the Operational Statement may require any changes. It would also allow sufficient time to plan and implement physical changes before the next peak season. The review should include the relevant officers of the local planning authority and other agencies with responsibility for consents, licenses and emergency procedures. It is the intention and therefore the responsibility of Brighton i-360 to organise a meeting to review the operation of the attraction each year. If all the relevant parties agree that a less frequent review is required (which may be the case in future years), then the arrangements would be

revised. In order to inform the monitoring process, Brighton i-360 will ensure that appropriate survey and statistical information is collected in each year. This would include, but is not restricted to:

- Ticket area queuing time and accumulation statistics
- Boarding area waiting time and accumulation statistics.
- Visitor numbers by relevant time periods.
- Profile of visitors, including number of disabled visitors.
- Means of travel by modal split on sample peak and off-peak week days and weekend days.
- Capacity figures (maximum throughput per hour).
- Any coach bay usage and coach accumulation statistics.

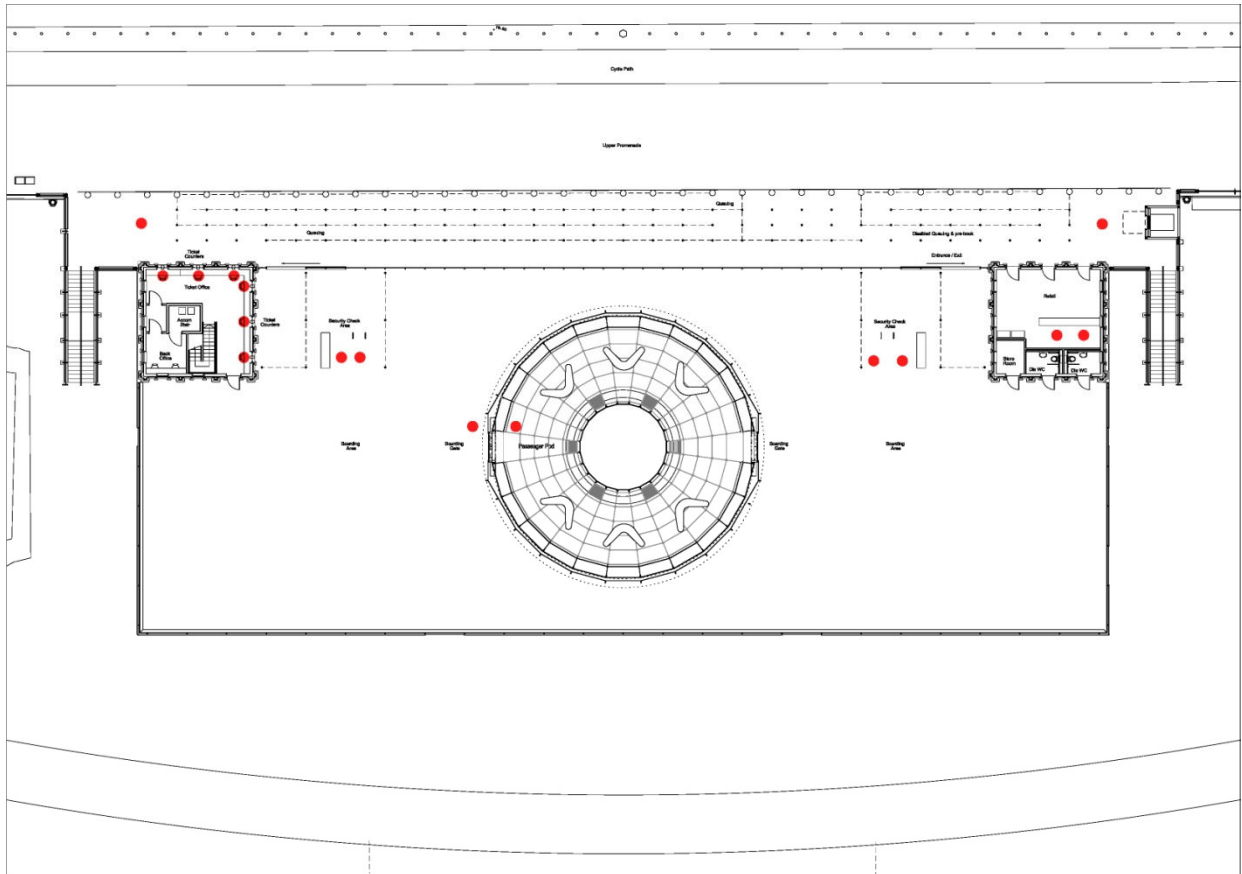
Following the formal review, a report will be prepared identifying any key issues and proposed changes to the Operational Statement. This will be submitted to the Local Planning Authority and other agencies as appropriate.

The floor plan illustrates the layout of the 1st floor, featuring a prominent central hall with a large circular skylight. To the left of the hall is a Reception Hall, and to the right is a large Hall. The plan also shows various smaller rooms, including offices, a library, and a cafeteria. The building is oriented with a North arrow pointing towards the top right. The plan includes detailed annotations for structural elements, furniture, and room functions.

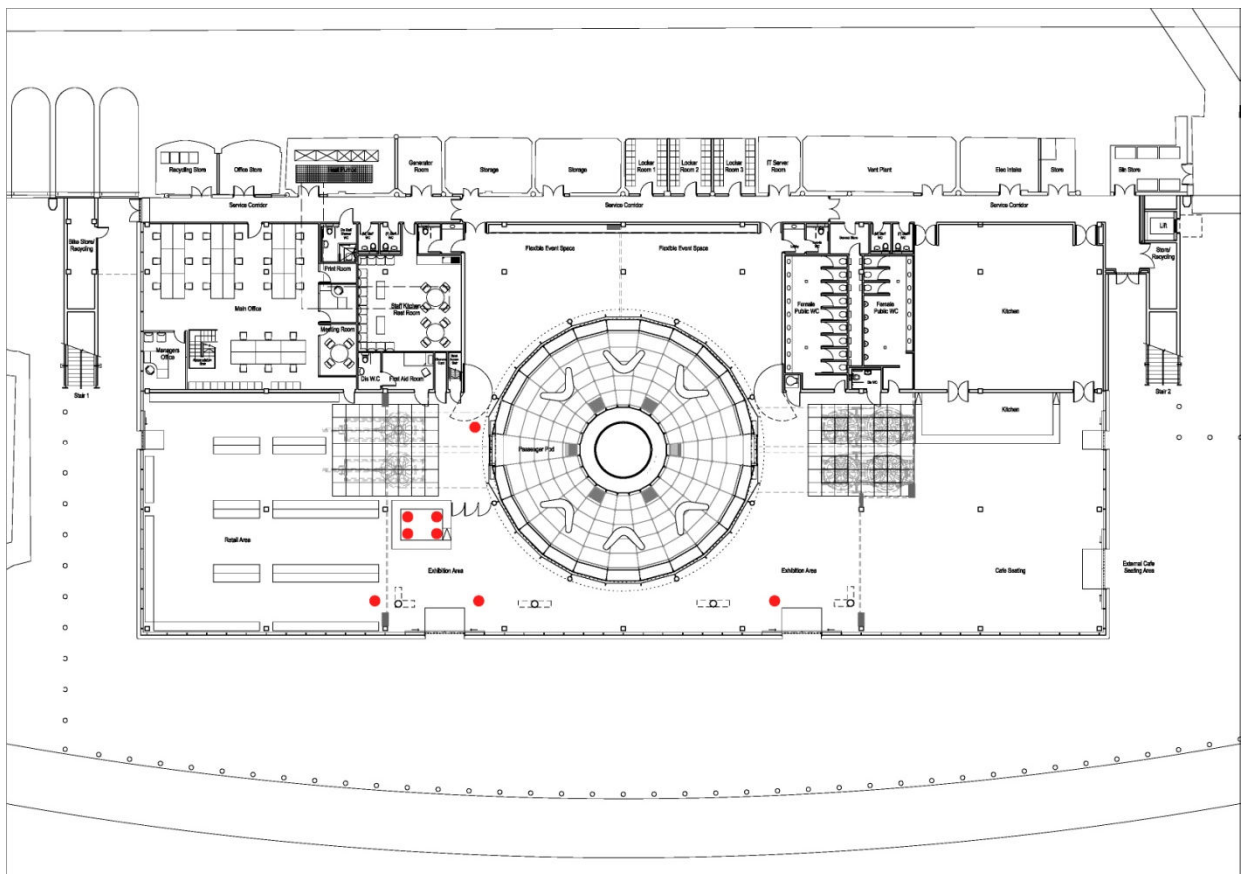
This is a detailed architectural floor plan of the first floor of the National Museum of the American Indian. The plan is centered around a large, circular rotunda with a grid pattern and a central circular opening. Surrounding the rotunda are various rooms and areas, including a Main Office, Meeting Rooms, Exhibit Areas, and a Gift Shop. The plan also shows a large circular area labeled 'Flexible Event Space' and a 'Public WC' area. The building has a curved exterior wall with a series of small circular windows. The plan is labeled with 'First Floor' and 'National Museum of the American Indian'.

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Appendix 2:

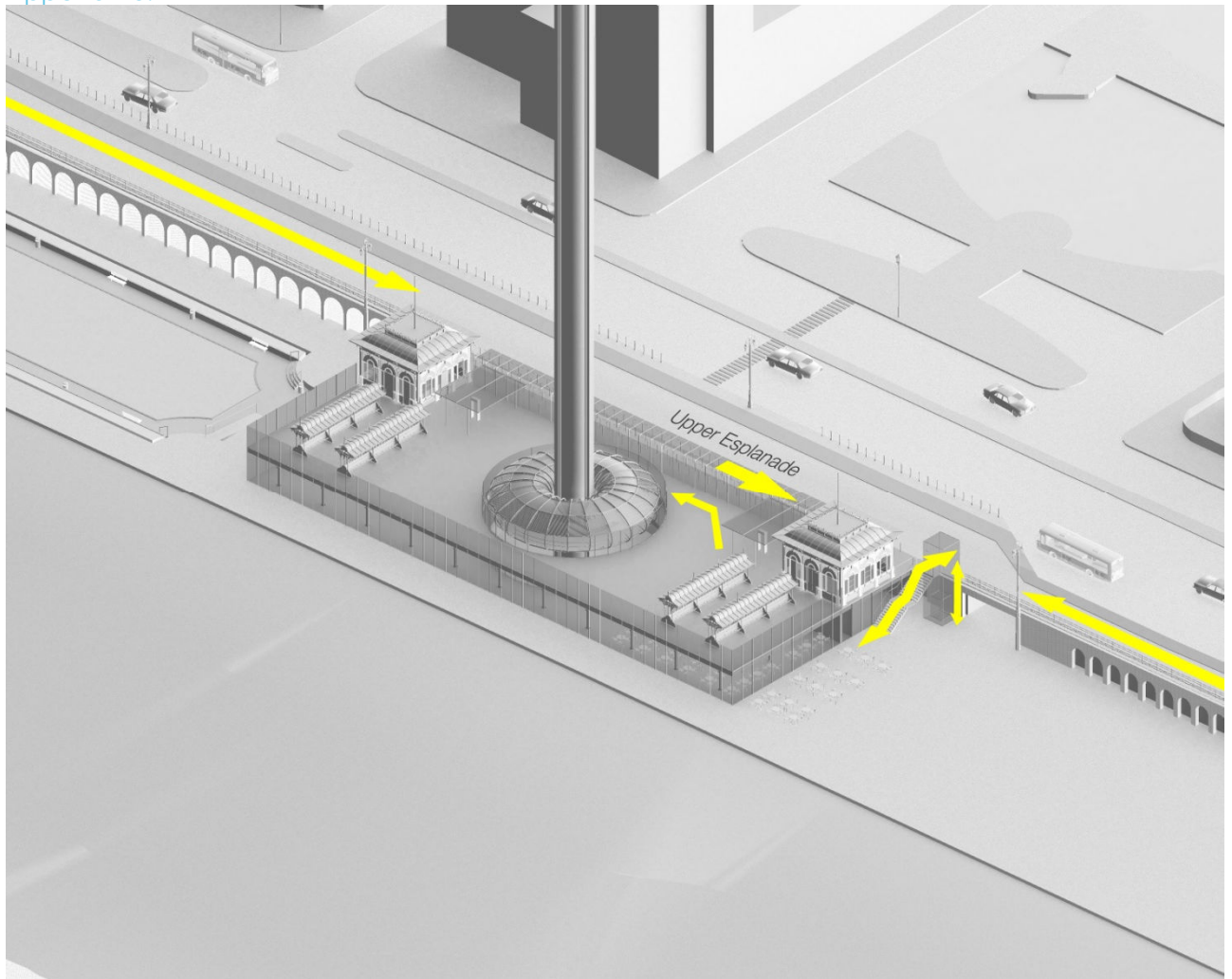


Location of GSA's at Upper Esplanade Level



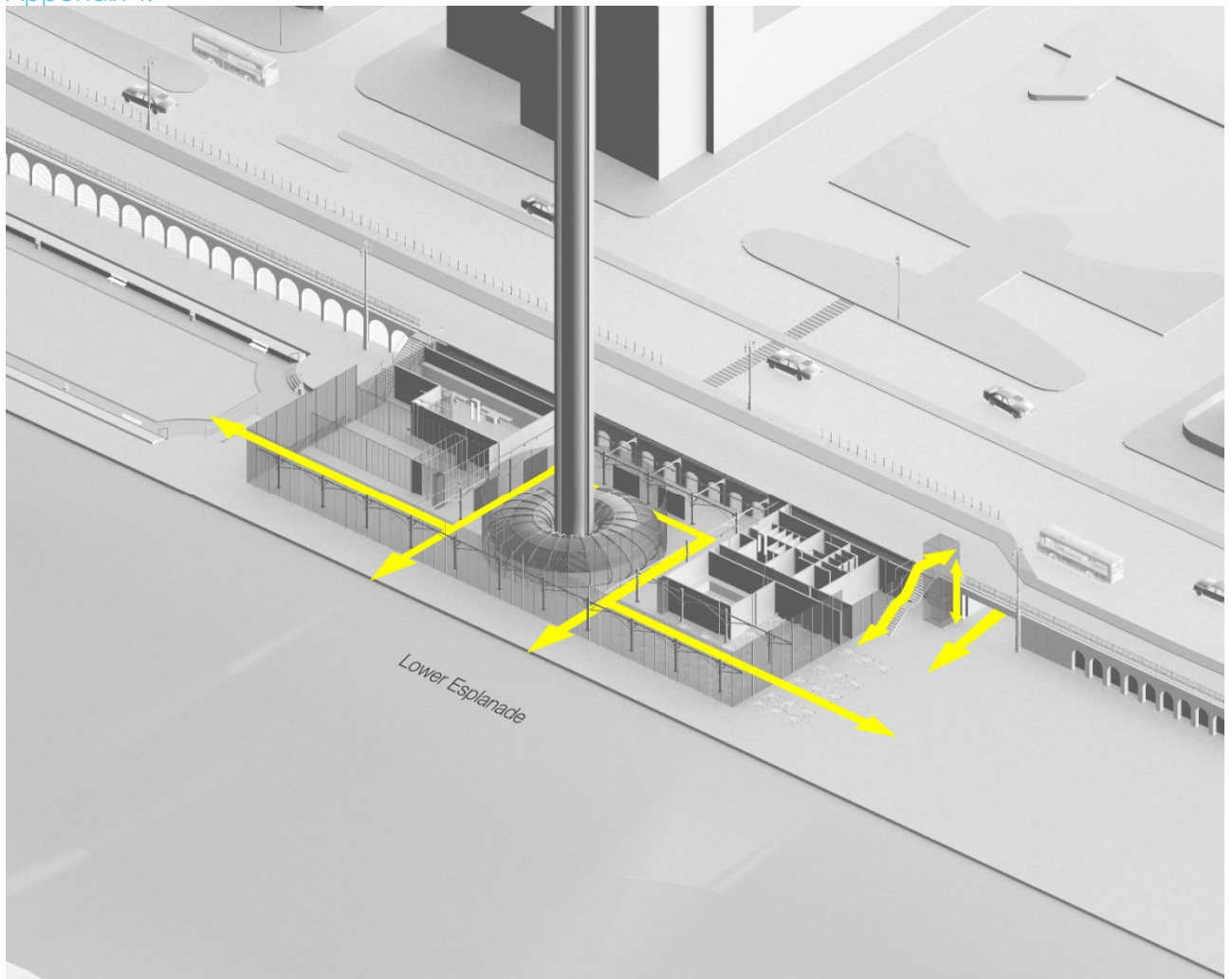
Location of GSA's at Lower Esplanade Level

Appendix 3:



Visitor Flows Ticketing as Boarding

Appendix 4:



Visitor Flows Alighting at Visitor Centre

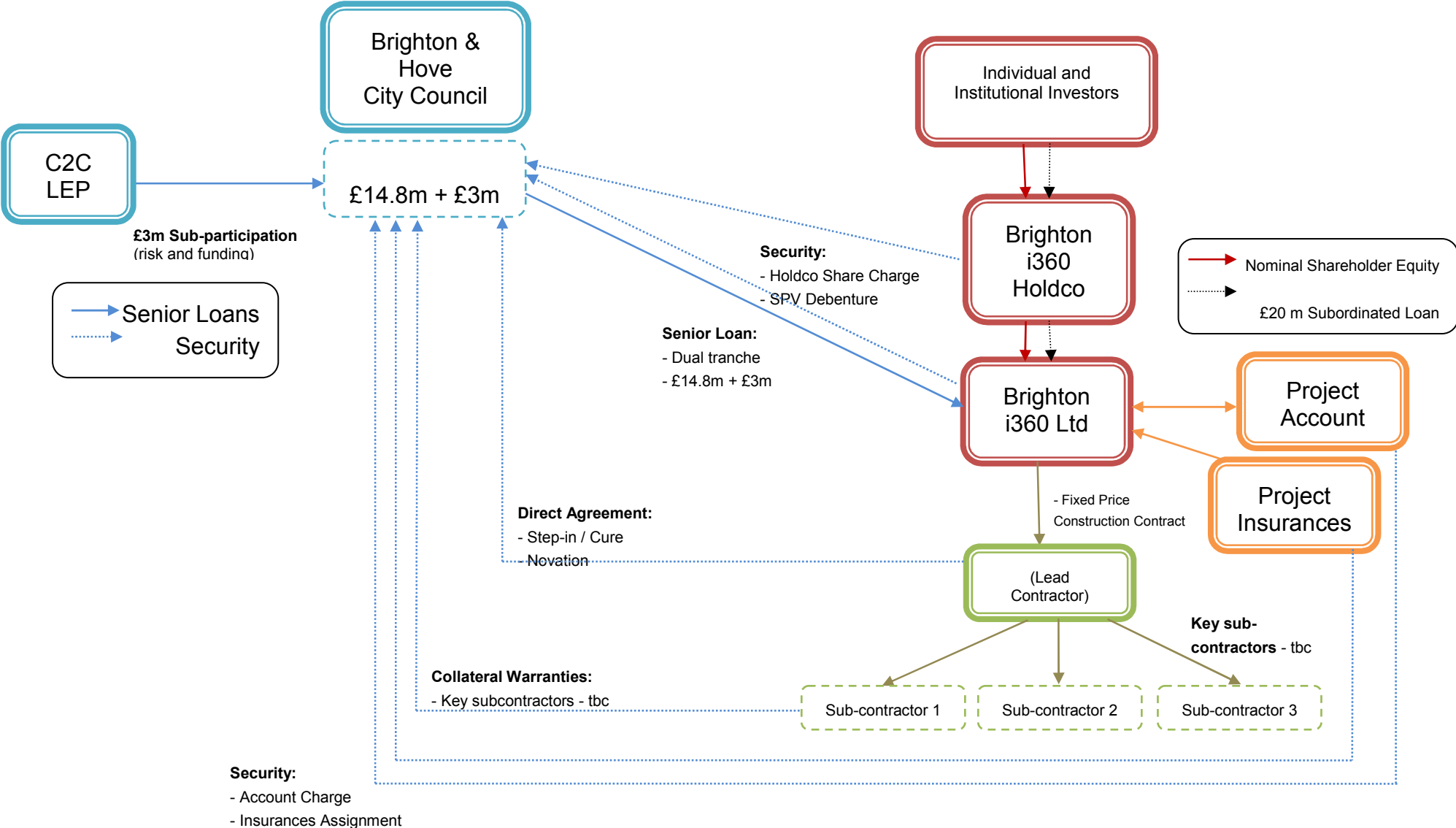
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Brighton i360 – Funding and Security Structure Diagram

APPENDIX 10



APPENDIX 11

BRIGHTON i360 – CONSTRUCTION TIMETABLE AND REPAYMENT SCHEDULE:

2012	
Financial Close	September 2012
Loan Advanced in Two Tranches	
Construction Starts (24 Month contract)	
Start On Site/Site set up	Autumn 2012
2013	
Ground Works	
Sewer Diversion	
Temporary Access Road	
Construction Of Heritage Centre starts	
2014	
Heritage Centre - completion	
Landscaping Works	
5 Month Construction Of Tower (Summer Months)	
Completion Of Tower	
2015	
Commissioning Of Tower	
HSE Compliance	
Scheduled Opening Date	31 March 2015
REPAYMENT SCHEDULE 2015 – 2025	
1st Repayment Date	30 September 2015
and on 6 Monthly Intervals thereafter until:	
Final LEP Repayment Date	30 September 2018
Final BHCC Repayment Date	30 September 2025

