

Item: 16

Policy and Resources Committee: 18 June 2024.

Orkney Island Games 2025.

Report by Corporate Director for Strategy, Performance and Business Solutions.

1. Overview

- 1.1. In March 2017 the Council agreed to financially support a bid by Orkney Island Games Association to host the 2023 Natwest International Islands Games. In addition, it was agreed that a sum no greater than £1M be made available to the Orkney Island Games Association towards hosting the games in Orkney. The Scottish Government had also confirmed that it was awarding £500,000 to support the event.
- 1.2. In July 2018 the master contract between the International Island Games Association and Orkney Island Games Association agreeing to Orkney hosting the 2023 Island Games was signed, including by Orkney Islands Council, to confirm Local Government support. A local organising committee was formed, and Orkney 2025 Limited was established with the purpose of delivering the twentieth International Island Games.
- 1.3. As a result of the pandemic, the International Island Games Association announced that there would be no Islands Games in 2021 and it was proposed that the Orkney Island Games be held in 2025.
- 1.4. In December 2020, the Council agreed that, subject to a financial review by the Executive Director of Education, Leisure and Housing together with the Head of Finance, the award of a sum no greater than £1M be provided to support the Games in the later year of 2025.
- 1.5. Since the Council's decision in December 2020, the financial impact of the two-year delay to Orkney hosting the International Island Games has been further compounded by international events, soaring inflation and the cost-of-living crisis resulting in forecasted expenditure being significantly higher.

- 1.6. With just under one year to go until the international event, it is important that the organising committee, Orkney 2025, has an appropriate financial package secured so that their efforts can become focused on the operational delivery of the event.
- 1.7. The information in sections 3, 4 and 5 provides detail on the measures taken to reduce the funding gap and the current financial context. In addition, a members' seminar was held on 23 April 2024 to allow further background information in respect of planning and resources to be provided to elected members.

2. Recommendations

- 2.1. It is recommended that members of the Committee:
 - i. Note the financial request from Orkney 2025 of £400k required to provide financial security to the games and to support securing a further financial contribution from the Scottish Government of £200k.
 - ii. Note the in-kind support requested of the Council and resultant budget pressures due to loss of income and additional costs in the region of £203k for financial year 2025/26.
 - iii. Note the ongoing efforts being made by the Orkney 2025 Organising Committee to continue seeking additional external funding and reduce final games costs.
 - iv. Approve the uplift to Orkney 2025 of up to £400k in addition to the already agreed budget of £1M to be funded from the Strategic Reserve Fund.
 - v. Instruct the Corporate Director for Strategy, Performance and Business Solutions to submit a budget pressure bid for the 2025/26 budget setting process for service budget implications once actual costs are known.
 - vi. Confirm a Council position that no cruise liner calls should be accepted for Hatston Pier and Kirkwall Bay for the week of the Orkney Island Games 2025 to reduce pressure on islands infrastructure and ensure cruise passengers do not have an adverse or unexpectedly restricted experience of Orkney.

3. Background

- 3.1. Orkney has a proven track record in successfully delivering high class international events. This event, which will be the largest ever hosted in Orkney with an expected 2000-2500 visitors, also provides a platform to further develop the strong tourism sector and promote Orkney.

- 3.2. The longstanding headline sponsor of Natwest confirmed that their sponsorship would end in 2023 and the International Island Games Association has not yet identified a headline sponsor.
- 3.3. Since the decision in December 2020, the financial impact of the two year delay to Orkney hosting the International Island Games has been further compounded by international events, soaring inflation and the cost of living crisis resulting in forecasted expenditure being significantly higher.

4. Current Position

- 4.1. Much work has been undertaken to accurately quantify and reduce the expenditure and maximise income to deliver the Orkney Games. The 12 sports have now clearly articulated their requirements and most of the larger areas of expenditure have been tendered and subsequently contracted resulting in a higher confidence in the financial predictions for expenditure.
- 4.2. In addition, a comprehensive funding package to help with infrastructure and equipment has been provided by SportsScotland to the level of approximately £1M, together with funding from the Council's Community Development Fund and the Community Led Local Development Fund means that the clubs have been able to plan effectively to deliver high quality sporting events.
- 4.3. In order to maximise income, the Orkney 2025 organising committee has explored local, regional and national sponsorship opportunities with relative success. Funding of £120,000 cash and £217,000 in-kind has been secured and further sponsorship avenues are being explored. No headline sponsor to replace Natwest has yet been secured by the International Island Games Association and it is unlikely that this will be possible for the Orkney 2025 Games. Further sponsorship opportunities to encourage smaller businesses and individuals to make donations and options to maximise income from merchandising are additionally being explored.
- 4.4. Orkney 2025 now require to concentrate efforts on the operational delivery of the Games with just a year to go. Therefore, in order to provide confidence to all stakeholders, it is imperative to have a full funding package secured. Orkney 2025 are committed to reducing costs wherever possible however, based on information to date, the current funding gap is £656.2k. Orkney Islands Council is being asked for an additional £400k and the Scottish Government £200k with the balance through further income in sponsorship or further reduction in spend.

- 4.5. The hosting of the games will provide significant economic, cultural and social benefit to Orkney. The impact of the Games will add value to Orkney in the following areas:
- Inclusion in terms of volunteering opportunities to deliver the event.
 - Increased participation in sport and volunteering to improve health and wellbeing.
 - Increase the profile and opportunities for local athletes.
 - Create a legacy in terms of equipment, training, infrastructure and club expertise and capacity.
 - Increase community engagement through spectators, service providers, competitors and volunteers.
 - Generate a positive economic impact through use of local suppliers where possible and visitor spend.
- 4.6. The Games will be delivered in a sustainable way as possible, and contracts are scored on this factor. Care will be taken to minimise the carbon footprint of the Games through transport, water bottles, and other ways in collaboration with the Islands Centre for Net Zero.

5. Council budgetary implications

- 5.1. Orkney 2025 Games will require the use of Council facilities and services to deliver the Games. These include venue hire for pitches, school halls, school facilities, waste, room hire, environmental health, traffic regulation orders, legal and licensing and more. The use of Council facilities will be the subject of a formal management agreement between the Council and Orkney 2025.
- 5.2. In order to keep costs low for Orkney 2025, it is proposed that, where possible, the Council provides as many of these services as in-kind, i.e. no charge. This is possible particularly where there would be no extra cost to providing the service and it can be delivered within existing resources and budgets. This will mean that services such as cleaning and waste management are diverted towards supporting the Island Games during the week of the Games.
- 5.3. Where there is a service to be provided that does incur an additional cost through extra staffing costs or equipment and supplies then in order to provide this as in-kind, the service may require additional budget if it cannot be provided within existing resource. This is also the case where a service is losing income and as a result will not achieve budgeted income targets for that week.

- 5.4. Additional visitors, over and above the Islands Games participants and spectators, will place an additional demand on the capacity to provide urgent and non-urgent medical assistance for the duration of the Games. Although the Games will arrange for additional temporary medical facilities at Glaitness School, it is proposed that the Council should not accept any additional cruise liner bookings for Hatston Pier and Kirkwall Harbour for the week of the Islands Games 2025. This will additionally ensure that there is no conflict between cruise passengers, cruise coaches and the large number of Island Games visitors and island games competitions that will result in road closures during the week of the games.
- 5.5. The potential for a negative reaction from cruise line companies not being able to plan visits as they initially intended would be balanced by the potential that a disrupted cruise call that went ahead could have resulted in reputational damage for the cruise companies and by association Orkney, if guests did not get the experience they expected of Orkney because of disruption caused due to the Island Games taking place.
- 5.6. The direct financial consequence of no cruise ships at Hatston Pier or in Kirkwall Bay for the Island Games week could be calculated as a loss of potential income during the week of around £300,000 (based on previous years bookings during that week) with the potential for some of this income to be recouped if cruise lines amend prior or future port calls during the cruise season around the week of the games. Any cruise calls booked for the outer isles will not be affected and can continue to take place.
- 5.7. The table in Appendix 1 sets out the cost / income loss estimates identified to date for the Council's support services. The information to date estimates potential additional costs of around £203K and lost income of around £90k giving a total budgetary service pressure of around £293k in addition to the direct ask for a further £400k for 2025/26. In addition to this the income that might normally have been received from cruise during the week of the island games will be impacted and could be calculated to be in the region of £300,000 during that week. These figures are provisional and will be further refined ahead of the budget setting process for 2025/26 when a budget pressure bid will be required. Services will endeavour to reduce the costs wherever possible.

6. Corporate Volunteering

- 6.1. In order to further support the games, many local businesses are providing volunteers for the duration of the games. As part of the Orkney 2025 Volunteer programme 89 Council staff have to date expressed an interest in volunteering during the Games. Of these, 39 work term time only and therefore 50, subject to operational needs, could be released on special paid leave to work for Orkney 2025 during the week of the Games. This would be the subject of a further report to the relevant committee.

7. Financial Support

- 7.1. Orkney 2025 are now in a position where whilst they are continuing to explore maximising their income in terms of merchandise and donations, they require certainty over the funding being available to run the event. In order to underwrite the funding gap of £656k Orkney 2025 have contacted both the Council and the Scottish Government to seek an uplift, in line with inflationary increases since 2017, to provide financial security for the event.
- 7.2. Orkney 2025 has asked the Council for additional funding of £400K cash and the Scottish Government of £200K cash. The Scottish Government is considering the request internally, but is also working closely with Orkney Islands Council to ensure a shared understanding of the rationale for the request, and that both parties as principal funders are assured that providing the additional funding will ensure the viability and success of the event. Both parties are aware of the interdependency of the funding ask and that failure to secure funding from one partner may risk the event viability for all.
- 7.3. Providing this assurance around additional funding will place Orkney 2025 on a sound financial footing and endeavours will continue to reduce this funding gap. Any unused funding will be returned to Orkney Islands Council and the Scottish Government as appropriate.
- 7.4. This report asks members to consider a financial uplift and also to agree in principle to the Council's in-kind contribution to the Games.

For Further Information please contact:

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Implications of Report

1. **Financial** – Financial implications are detailed within the body of the report. Approval of the recommendations in this report will result in a further draw on the Strategic Reserve Fund of up to £603k (£400k cash and up to £203k to support service budgets). Cruise income during the Island Games will be impacted due to the loss of cruise liner calls during the week of the Games.
2. **Legal**
 - 2.1. If the Council is to provide funding and in-kind support to Orkney 2025 as detailed in the recommendations, a legally binding agreement will require to be entered into setting out the terms and conditions on which such funding and support is to be provided.
 - 2.2. Pursuant to section 33 of the Harbours, Docks and Piers Clauses Act 1847, the Council in its capacity as Harbour Authority has an “open port” duty which means that vessels which insist on paying their harbour dues and coming into port may not be prevented from doing so.
3. **Corporate Governance** – none.
4. **Human Resources** – Staff time is being diverted to support the Island Games for planning and it is expected to also be provided for the delivery which will include corporate volunteering during the week of the Games
5. **Equalities** – none.
6. **Island Communities Impact** – none.
7. **Links to Council Plan** – The proposals in this report support and contribute to improved outcomes for communities as outlined in the following Council Plan strategic priorities:
 - Growing our economy.
 - Strengthening our Communities.
 - Developing our Infrastructure.
 - Transforming our Council.
8. **Links to Local Outcomes Improvement Plan** – The proposals in this report support and contribute to improved outcomes for communities as outlined in the following Local Outcomes Improvement Plan priorities:
 - Cost of Living.
 - Sustainable Development.
 - Local Equality.
9. **Environmental and Climate Risk** – Sustainability has been a key focus, where possible, in the planning and delivery of the Games.
10. **Risk** – The use of Council Facilities will be the subject of a formal management agreement between the Council and the Orkney 2025.
11. **Procurement** – none.

12. **Health and Safety** – Staff from Safety and Resilience are involved in the planning of the event.
13. **Property and Assets** - The use of Council facilities will be the subject of a formal management agreement between the Council and the Orkney 2025.
14. **Information Technology** – none.
15. **Cost of Living** – none.

List of Background Papers

Report to Policy and Resources Committee, 28 February 2017 – Natwest International Island Games – Orkney 2023.

Report to General Meeting of the Council, 8 December 2020 – Natwest International Island Games – Orkney 2023.

Appendix

Appendix 1 - Cost / income loss estimates to date for the Council's support services.

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The Table below sets out the cost / income loss estimates to date for the Council's support services:

Function	Cost Recovered	In-Kind – within normal service delivery	In – Kind - Loss of income	Additional Costs – Budget uplift required
Sports venue Hires (V) and staffing costs (S) Additional Cleaning			£20,145 (V) £10,140 (V) £14,280 (S) £2,530 (S)	Up to £30,285 Income loss for venues £16,810 extra Staffing costs
Additional Pitch Maintenance				£15,100 – extra costs
Campsites	£7,530 – Costs recovered			
PHOR	Total Cost Recovery for service			£4,070 for set up / take down staffing costs
Warehouse Buildings - hires				Up to £300 income loss
Utilities for Dormitories / ELH facilities				£73,500 additional costs
Catering Additional equipment	Total Cost recovery for service			Up to £29,700 for equipment
Environmental Health		All within existing resources		
Legal Services		£52,661 within existing resources		

Function	Cost Recovered	In-Kind – within normal service delivery	In – Kind - Loss of income	Additional Costs – Budget uplift required
Finance Services		£3,544 within existing resources		
Cleaning – additional cleaning, consumables and Hygiene units		£60,000 diverted service delivery		£10,000 for consumables
Civil Contingencies		Within existing resources		
Roads & Waste Services – loss of income for waste / recycling collection, traffic management permits		Diverted service delivery	£42,000 – loss of income	Up to £21,000 additional equipment
Marine Services potential Cruise liner Income lost			~£300,000 of lost income	
IT – building and supporting IT			Staff time Within resources	£2,000 for consumables
Totals			£389,095	£202,765