

Finance and Resources Committee

10.00am, Thursday, 4 June 2015

Extension of the Contract for Edinburgh's Christmas and Edinburgh's Hogmanay

Item number	7.8(a)
Report number	
Executive	
Wards	All

Executive summary

The Finance and Resources Committee on [21 March 2013](#) approved the award of the contract for Edinburgh's Hogmanay and Edinburgh's Christmas to a consortium of Underbelly Ltd and Unique Events Ltd for a period of three years (2013/14; 2014/15; and 2015/16) with an option to extend by two further 12 month periods (2016/17 and 2017/18). The Council should decide by June 2015 whether to extend the contract to cover 2016/17 and notify the consortium.

Key performance indicators for the first two years of Edinburgh's Christmas and Edinburgh's Hogmanay were reported to Culture and Sport Committee on 26 May 2015 as satisfactory and are attached as an appendix to this report.

This report provides an update on the performance of the contract, summarises research into the positive economic impact of the programmes for the city and recommends that the contract be extended for an initial 12 month period.

Links

Coalition pledges	P24
Council outcomes	CO8, CO20, CO26
Single Outcome Agreement	SO1

Extension of the Contract for Edinburgh's Christmas and Edinburgh's Hogmanay

Recommendations

- 1.1 Welcome the performance of the 2013/14 and 2014/15 events;
- 1.2 Note that the consortium is seeking to identify sponsorship or other additional external income which in turn would improve the financial return from the consortium to the Council;
- 1.3 Note that the consortium is also in discussions to extend the programmes into other areas of the city;
- 1.4 Approve the extension of the contract to the consortium of Unique Events and Underbelly Ltd for an initial period of 12 months for 2016/17 at a maximum cost of £1,312,456;
- 1.5 Note that the Director of Corporate Governance has delegated power to agree the final terms of the extension to the contract and to enter into the extension to the contract; and
- 1.6 Refer this report to the Corporate Policy and Strategy Committee for its information.

Background

- 2.1 The consortium of Unique Events and Underbelly is contracted to deliver Edinburgh's Hogmanay and Edinburgh's Christmas. Through the delivery of this Festival and event programme, the Council aims to ensure that Edinburgh maintains its position as an attractive destination city for visitors throughout the winter season and aims to:
 - 2.1.1 create a dynamic, contemporary feel whilst retaining a sense of tradition, resulting in a 'unique to Edinburgh' product;
 - 2.1.2 offer different customer experiences;
 - 2.1.3 identify new creative activities and events to refresh the programme; and
 - 2.1.4 retain and enhance world class status for these programmes.
- 2.2 Edinburgh's Christmas takes place over a six-week period from November to January in and around the city centre.
- 2.3 Edinburgh's Hogmanay is an internationally renowned New Year festival, taking place over three days centred on 31 December. The Festival provides unrivalled

promotion for the city. Images of the midnight fireworks are broadcast around the world to significant international audiences. Social media coverage is also extensive.

- 2.4 The current contract replaced two separate contracts, and transfers all financial risk to the consortium contractor comprising Unique Events Ltd and Underbelly Ltd.
- 2.5 The term of the contract is three years from 2013/14 (at a cost of £3,937,368) with an option to extend for up to two further years.
- 2.6 The maximum subsidy in any year to the contractor is £1,312,456. The consortium will be liable for any costs that exceed the agreed subsidy.
- 2.7 The consortium is required to report regularly against contractual terms throughout the year.
- 2.8 The Corporate Policy and Strategy Committee agreed on 5 August 2014 that a set of key performance indicators be developed for Edinburgh's Christmas and Edinburgh's Hogmanay and reported annually.

Main report

- 3.1 Appendix one provides an update on the performance of Edinburgh's Christmas and Edinburgh's Hogmanay in delivering the objectives outlined in paragraph 2.1 above.
- 3.2 Over the first two years of the contract, the consortium has performed well, improving the quality of the Christmas and Hogmanay celebrations, maintaining high levels of customer satisfaction, providing more opportunities for local community groups to participate and increasing value for money for local residents. Edinburgh's Christmas offered a discount in 2014/15 for all those with an EH postcode, and sold 97,500 discounted tickets to EH postcode holders.

Research commissioned by the Consortium

- 3.3 The consortium commissioned research from [Culture Republic](#) into the economic impact of the 2014/15 programmes. Using data provided by the consortium, and a survey of a sample of attendees, Culture Republic has calculated the following for Edinburgh's Christmas:
 - 3.3.1 1,508,154 attendances;
 - 3.3.2 886,651 unique attendances (having allowed for repeat visits); and
 - 3.3.3 a total footfall of 2.8m (compared with 2.6m in 2013/14).
- 3.4 The [eventIMPACTS](#) toolkit was developed by eight partner agencies across the UK, including UK Sport, Visit Britain, Event Scotland, the London Development Agency and Glasgow City Marketing Bureau. It comprises some key guidance and good practice principles for evaluating the social, economic, environmental and media-related impacts associated with staging major sporting and cultural

events. Using the eventIMPACTS methodology, Culture Republic has calculated the direct economic impact of Edinburgh's Christmas 2014/15 as £118.8m.

- 3.5 This figure excludes expenditure by Edinburgh residents at Edinburgh's Christmas, but will include some influence from the annual increase in commercial activity in the run up to Christmas. On 27 May, the consortium announced that with the application of multipliers, the economic impact for the city of Edinburgh from the 2014/15 event was £199.5m.
- 3.6 Culture Republic also conducted a post-event evaluation survey of Edinburgh's Hogmanay 2014/15. On 27 May, the consortium announced that with the application of multipliers, Edinburgh's Hogmanay 2014/15 achieved an economic impact of £41.8m for the city. Edinburgh's Hogmanay 2014/15 welcomed audiences of over 150,000 (with visitors from over 70 countries as well as local residents) to three days of sold-out events in the capital. Edinburgh's Hogmanay, as one of the city's 12 major Festivals, is a member of Festivals Edinburgh. The ongoing programme of themed impact analyses by Festivals Edinburgh focuses on economic impact throughout 2015. All 12 Festivals will be impact assessed, which for Edinburgh's Hogmanay will mean its 2015/16 programme. The results of this impact assessment should be available in March 2016.

Other research commissioned by Essential Edinburgh

- 3.7 Other independent research reinforces this point. A survey carried out on behalf of Essential Edinburgh, which runs the city centre Business Improvement District (BID), looked at all types of businesses in the city centre to fully gauge the impact Edinburgh's Christmas and Edinburgh's Hogmanay had on business within the BID area. The survey highlights that Edinburgh's retail sector achieved better results than the Scottish retail sector and the UK retail sector:
- 3.7.1 60% of retailers saw an increase year on year for December, while 20% traded in-line with the previous year;
- 3.7.2 retail sales for Edinburgh in December 2014 were up by +1.2% compared with the Scottish average of -1.8% and the UK average of -0.4%.
- 3.8 Commenting on these results in the April/May 2015 issue of *Business Comment*, the official magazine of the Edinburgh Chamber of Commerce, the former Chief Executive of Essential Edinburgh wrote:

'A key factor in delivering the increased figures has been the role played by the Christmas and New Year activities in attracting people to the city centre. Footfall is massively up compared to the UK average with Edinburgh up +4.4% vs the UK average of -2.1% and the BID area up +5.7%. The highest increase in footfall in the city centre, compared to December 2013, was South St Andrew Street, up 18.7% although both George Street (at Nat West) and Princes Street (at M&S) were also considerably up, 14.1% and 9.8% respectively.'

3.9 The article (which is provided in full in appendix two) continues:

‘In the final quarter of 2014 overall visitor expenditure experienced significant growth compared to Q4 2013, according to the Edinburgh Visitors Survey, an on-going survey conducted by LJ Research on behalf of Essential Edinburgh. This growth was distributed and observed across all categories, with shopping spend increasing by 7% compared to the final quarter in 2013.’

3.10 This impact is spread among businesses within Edinburgh and represents a significant addition to the local economy. This has been reinforced by other business leaders, including the Director of Harvey Nichols Regional Stores, speaking in his capacity as Director of Essential Edinburgh and as a member of the Edinburgh Business Forum, who was also quoted in the April/May 2015 issue of *Business Comment*. Here is an extract from the article (the full piece is also provided in appendix two):

‘Part of the success has been driven by the dynamic partnerships the city enjoys and the activities that spin out from those. “While we get lots of customers from Edinburgh, Glasgow and further afield in Scotland, there is no doubt that the summer is very important for us when the Festivals are in full swing and we see a real increase in the number of foreign customers. And this year the Christmas activity really raised the bar considerably. It’s important that we continue to be active as a city to attract visitors both nationally and internationally.”’

3.11 Given the year on year success achieved by both of these programmes, and their positive impact on the city, it is recommended that the contract for the delivery of Edinburgh’s Christmas and Edinburgh’s Hogmanay be extended for an initial period of 12 months for 2016/17, with the option to extend for a further 12 months beyond this to 2017/18.

3.12 The consortium is in discussions with the Council and stakeholders across the city to extend the Christmas and Hogmanay programmes beyond the current footprint.

Measures of success

4.1 The success of the contract is measured against the key performance indicators contained in appendix one. In addition, as noted above, the Council uses these programmes to ensure that Edinburgh maintains its position as an attractive destination city for visitors throughout the winter season. The visitor numbers reported above, and the commentary provided by business leaders, show that this contract is supporting this aim.

Financial impact

- 5.1 The subsidy from the Council for delivery of both events is £1,312,456 per annum, fixed for the duration of the contract. This is in line with the previous combined budget for both events. The value of the extension for 2016/17 will be a maximum of £1,312,456, and may be less than this if proposed cost savings can be achieved. (Any savings would be set against the Council's overall savings target for 2016/17.)
- 5.2 The maximum subsidy in any year is £1,312,456. The contractor will be liable for any costs that exceed the agreed subsidy.
- 5.3 Under the terms of the contract, the Council is entitled to a share of the profits generated by both events. In the second year of the contract Edinburgh's Christmas returned £16,373 while Edinburgh's Hogmanay returned £12,381. The consortium will seek to identify sponsorship or other additional external funding to enhance the programmes. If successful, this should also enable the consortium to provide a greater financial return to the Council.
- 5.4 Police Scotland introduced charges for the first time in 2014. The impact of Police charges amounted to a total of £107,000, which was contained within the Corporate Governance budget. The Council is in early negotiations with Police Scotland to establish costs for 2015/16 and beyond.

Risk, policy, compliance and governance impact

- 6.1 The Council's contribution to these events is within budget, with the exception of the Police Scotland charges. Financial risk for the two programmes rests with the contractor. The events comply with all Council event management and safety policies.

Equalities impact

- 7.1 The contractor is expected to ensure that the two programmes remain attractive to Edinburgh residents, and Edinburgh's Christmas in particular includes indicators to ensure that it remains attractive and accessible to families, and accessible to community groups.

Sustainability impact

- 8.1 The contractor has an Environmental Policy which includes undertaking to minimise impact on the environment by the reduction of emissions; the efficient use of energy; the use of biodegradable and recycled products; and minimisation of waste amongst other activities.

- 8.2 Edinburgh’s Hogmanay participates in the Festivals Edinburgh Green Venue Initiative which promotes best practice in sustainability. The contractor will maintain membership.

Consultation and engagement

- 9.1 The contractor has consulted and engaged with local businesses; stakeholder agencies and organisations as well as community groups, schools and other groups and individuals in the planning, delivery and assessment of events and attractions. This is expected to continue.

Background reading/external references

Reports to Finance and Resources Committee on [21 February](#) and [21 March 2013](#); report to Corporate Policy and Strategy Committee on [5 August 2014](#); report to Culture and Sport Committee on 26 May 2015.

Alastair D Maclean

Director of Corporate Governance

Contacts:

David Waddell, Senior Events Officer

E-mail: david.waddell@edinburgh.gov.uk | Tel: 0131 529 4929

Links

Coalition pledges	P24 - Maintain and embrace support for our world-famous festivals and events
Council outcomes	CO8 - Edinburgh’s economy creates and sustains job opportunities CO20 - Culture, sport and major events – Edinburgh continues to be a leading cultural city where culture and sport play a central part in the lives and futures of citizens CO26 - The Council engages with stakeholders and works in partnership to improve services and deliver on agreed objectives
Single Outcome Agreement	SO1 - Edinburgh’s economy delivers increased investment, jobs and opportunities for all
Appendices	Appendix 1 – Key performance indicators for Edinburgh’s Christmas and Edinburgh’s Hogmanay 2013/14 and 2014/15 Appendix 2 – “A Christmas and Hogmanay Cracker for Edinburgh Businesses” article and “A Passion for Retailing” article from page 5 and pages 28 to 29 respectively of <i>Business Comment</i> April/May 2015

Appendix One: Edinburgh's Christmas Contractual Key Performance Indicators

Action	Deliverables and Measures	Review Period	Baseline (Tender)	2013/14	2014/15	RAGG
Increase the accessibility of the Christmas events to visitors and residents	Number of tickets sold for Edinburgh's Christmas	Annual	248,000	387,462	541,151	Green
	Number of people attending Light Night	Annual	6,000	26,000	28,000	Green
	Footfall measured at the St Andrew Square site	Annual	267k	1.1m	1.6m	Green
	Footfall measured at the Princes Street site, next to East Gardens	Annual	1.06m	1.5m	2m	Green
Enhance customer experience	% of attendees who expressed satisfaction with the programme	Annual	70%	98%	98%	Green
	% of attendees who agreed the programme provided good value for money	Annual	70%	74%	80%	Green
Ensure the programme remains attractive to Edinburgh residents	% of Edinburgh's Christmas attendees that are Edinburgh residents	Annual	30%	37%	30%	Green
Ensure the programme is attractive and accessible to families	Number of attractions suitable for families	Annual	7	7	19	Green
Ensure the programme is accessible to local community groups	No of events in which local community groups participate	Annual	2	2	6	Green
Promote Edinburgh as a winter destination through social media channels	Number of Facebook 'Likes'	Annual	9,000	37,450	58,412	Green
	Number of Twitter followers	Annual	4,789	7,024	8,894	Green
Ensure the Council is not financially exposed	Profit share returned to the Council from Edinburgh's Christmas	Annual	17%	0	£16,373	Amber

Appendix One: Edinburgh's Hogmanay Contractual Key Performance Indicators

Action	Deliverables and Measures	Review Period	Baseline (Tender)	2013/14	2014/15	RAGG
Ensure the Street Party and Concert in the Gardens remain accessible and attractive to visitors and residents (out of a total audience for all Hogmanay events of 75,000)	No of tickets sold for the Street Party/Concert in the Gardens	Annual	56,094	57,692	64,065	Green
Ensure the Torchlight Procession remains accessible and attractive to visitors and residents (dependent on securing external funding)	No attending Torchlight Procession	Annual	27,500	27,500	35,000	Green
Maintain level of international visitors to the Street Party	% of international visitors to the Street Party	Biennial	14%	N/A	18%	Green
Maintain high level of customer satisfaction	% of attendees who expressed satisfaction with the programme	Biennial	N/A	N/A	87%	Green
Ensure the Edinburgh's Hogmanay programme is attractive and accessible to Edinburgh residents	% of Edinburgh's Hogmanay attendees that are Edinburgh residents	Biennial	24%	N/A	25%	Green
Increase domestic and international promotion of Edinburgh through social media channels	Number of Instagram followers	Annual	0	592	1,036	Green
	Number of Facebook 'Likes'	Annual	7,232	26,351	36,551	Green
	Number of Twitter followers	Annual	2,502	8,109	10,903	Green
Ensure the Council is not financially exposed	Profit share returned to the Council from Edinburgh's Hogmanay	Annual	35%	0	£12,381	Amber



A Christmas and Hogmanay Cracker For Edinburgh Businesses

By Andy Neal, former Chief Executive, Essential Edinburgh

Edinburgh city centre businesses have given resounding backing to the city's Christmas and New Year festivals after enjoying successful festive trading fuelled by high footfall.

A survey carried out on behalf of Essential Edinburgh, which runs the city centre Business Improvement District (BID), looked at all kinds of businesses in the city centre to fully gauge the impact Edinburgh's Christmas and Hogmanay activities had on businesses within the BID area.

In particular, the survey looked at how the activities have benefitted the city centre's Retail Sector – along with hospitality.

The figures make very positive reading. The survey highlights that 60% of retailers saw an increase year on year for December, with a further 20% trading in-line.

Retail sales for Edinburgh in December 2014 were up by +1.2% compared with the Scottish average of -1.8% and the UK of -0.4%.

A key factor in delivering the increased figures has been the role played by the Christmas and New Year activities in attracting people to the city centre. Footfall is massively up

compared to the UK average with Edinburgh up +4.4% vs the UK average of -2.1% and the BID area up +5.7%. The highest increase in footfall in the city centre, compared to December 2013, was South St Andrew Street, up 18.7% although both George Street (at Nat West) and Princes Street (At M&S) were also considerably up, 14.1% and 9.8% respectively.

Why is it so important that our shops have a good Christmas? Clearly, it is the most important trading period for most retailers, and that is of great importance to the wider economic health of our city. Buoyant, confident retailers invest in our city and that creates jobs and wealth and brings great benefits to all parts of our local economy.

That is a view clearly shared by the Scottish Government. They describe Retail thus: "As one of the most significant sectors of the economy, retailing is one of the largest Scottish urban employers. But more than this, the quality and range of a city's Retail Sector reflects on and contributes to its vibrancy, image and attractiveness to residents and visitors alike. A growing and dynamic retail sector can help restore and rejuvenate our cities."

In other words, Retail is a vital employer and generator of jobs and wealth, but it also plays a key role in attracting people to visit our city and our city centre.

In the final quarter of 2014 overall visitor expenditure experienced significant growth compared to Q4 2013, according to the Edinburgh Visitor's Survey, an on-going survey conducted by LJ Research on behalf of Essential Edinburgh. This growth was distributed and observed across all categories, with shopping spend increasing by 7% compared to the final quarter in 2013. Over 80% of all visitors surveyed shopped whilst they were in Edinburgh, the second highest activity after walking around the city. This shows not just how important retail is to a thriving city centre for locals but for tourists too.

Although tourists are spending on shopping, the vast majority of spend comes from locals. This group has been targeted in two ways in recent months; Edinburgh's Christmas offering a discount for all those with an Edinburgh post code – 97,500 tickets sold with an EH postcode discount – and through the "This is Edinburgh" marketing campaign. A recent survey identified that those who are "very proud of their city" has increased from 51% to 88% over the last year and interestingly when asked what made them most proud it was Edinburgh's nightlife, restaurants, bars and shopping. This all bodes well for the future prosperity of the city.



A Passion for Retailing

You would expect Gordon Drummond to be passionate about retailing – and he doesn't disappoint.

This, after all, is the man who heads the aspirational Harvey Nichols in Edinburgh, the luxury retail name that has been in the vanguard in transforming the Capital's retail offering over the past decade.

The 100,000 sq ft store is built over five levels, including its stunning Forth Floor restaurant

which enjoys stupendous views over the city centre, and employs around 400 staff.

After a lifetime spent working in the retail sector – much of it in Edinburgh – Gordon is just about as positive and optimistic about the future of this vital sector as he has ever been.

Retail in Edinburgh employs close to 30,000 people – around 12% of the employment on offer in the city's varied and successful economy. But as Gordon is quick to point out, it is much, much more than a major employer.

He subscribes to the view espoused by the Scottish Government that the quality and range of a city's retail sector "reflects on and contributes to its vibrancy, image and attractiveness to residents and visitors alike. A growing and dynamic retail sector can help restore and rejuvenate our cities."

Gordon said: "Shopping provides the anchor around which our bars and restaurants operate, it is a huge driver of visitors both from Scotland, the UK and further afield, and it is nowadays very much a social activity, you and your friends and families."



Gordon sees an enormous amount to be encouraged by in terms of the recent and future development of the retail sector in the Capital, which has seen Edinburgh rise sharply through the ranks of UK retail destinations. With work due to start this year on the enormous £850 million Edinburgh St James development, he expects that ranking to escalate into the UK's top 10.

He said: "There is no doubt that Edinburgh's retail offering has changed enormously for the better in the past decade. We are now seeing the kind of retail mix that people expect of a Capital city – with less emphasis on 'high street' and a greater variety that includes niche independent shops and much more luxury retail."

In Gordon's view, and the view of most analysts, that mixture is likely to prove more resilient than less varied offerings, in particular the luxury market, in the face of increasing competition from online shopping. The challenges posed by technology are something Gordon believes should be viewed as opportunities, in the way that many major retailers have successfully built 'click and collect' and online offerings.

"There is no doubt that consumers, like to do their research and browse online to be up to date and on trend about what is available. But they also like to come into the store armed with the information they gain online, to see and touch the clothes, and to have a conversation with a knowledgeable assistant. In that regard, it is essential that staff are passionate about their merchandise and are enthusiastic and positive when dealing with well-informed customers.

"Given the pace of change over the past ten years it is very difficult to predict exactly what is likely to happen over the next few years, but we can be sure that there will be much more use of technology. As consumers become more aware and more informed, retailers will have to become even more engaged with their customers to develop very personal relationships with them."

Gordon, who is now a Director of Harvey Nichols Regional Stores, joined the company as the store General Manager, in 2003 shortly after it opened in Edinburgh. He has seen at first hand the surge in interest in luxury brands in the Capital.

"We've seen a lot of luxury brands come to Edinburgh since then, and there is no doubt that more will follow, particularly in Multrees

Walk next to our store and in George Street. Add in to that the appeal of the leading high street names in Princes Street, and the independent, niche retailers to be found in the Grassmarket, West End and Stockbridge, and the sector is in a very healthy position."

Gordon is quick to emphasise that there is no room for the City to rest on its laurels however. Part of the success has been driven by the dynamic partnerships the city enjoys and the activities that spin out from those. "While we get lots of customers from Edinburgh, Glasgow and further afield in Scotland, there is no doubt that the summer is very important for us when the Festivals are in full swing and we see a real increase in the number of foreign customers.

"And this year the Christmas activity really raised the bar considerably. It's important that we continue to be active as a city to attract visitors both nationally and internationally.

Gordon Drummond is a director of the Business Improvement District Company Essential Edinburgh and a member of the Edinburgh Business Forum.



Gordon Drummond