

SOUTH AYRSHIRE COUNCIL

**REPORT BY CORPORATE MANAGEMENT TEAM
TO SOUTH AYRSHIRE COUNCIL (SPECIAL) OF 26 JANUARY 2010**

SUBJECT: PARTNERSHIP BID TO OPERATE GIRVAN SWIMMING POOL

1. Purpose.

To advise Council of the outcome of the evaluation of the local partnership proposal to operate Girvan Swimming Pool and to outline the plan for strategic work to develop detailed proposals for the regeneration of Girvan and surrounding areas.

2. Recommendations.

Members are requested to agree:

- **that the local partnership bid to operate Girvan Swimming Pool has significant technical, financial and operational difficulties which when considered collectively mean that officers are unable to recommend it to Council;**
- **that demolition of the swimming pool and attached buildings should now proceed with costs estimated to be in the order of £270k to be funded from existing resources;**
- **that further development work be undertaken to assess the economic development, tourism and social policy considerations in Girvan and surrounding areas with a view to producing detailed proposals including maximising the opportunities for partnership working;**
- **that the foregoing further development work be progressed in partnership with the Girvan Strategic Group and that up to £250k is identified in the Change Fund to support this development work; and**
- **that an initial report is brought to the Council meeting on 2nd March setting out the detailed scope of the development work, how it will be taken forward, by whom and over what timescale.**

3. Background.

3.1 On 14th January 2009, a decision was taken to close Girvan's swimming pool due to the poor condition of the building and a number of key physical components within the building. On 06th July 2009 and related to consideration of the Interim Asset Management Plan, it was decided:

- to approve the Action Plan and recommendations contained within Section 9 of the Interim Property Asset Management Plan, including the list of proposed demolitions as detailed in Section 3.10, subject to confirmation that the demolition of Girvan Beach Pavilion, pool, shops and toilets would not be carried out prior to 31st December 2009 and that any business case being prepared for retention would require to be submitted to the Council by 2nd November 2009, ahead of the Leadership Panel on 24th November 2009.

- 3.2 A community bid was received on 02 November 2009 under the signature of Iain Brown. Officers have been reviewing the bid and at the December Council meeting, elected members were advised that there were significant concerns related to financial, technical and operational issues and long-term viability but that further time was needed to undertake a fuller evaluation. That evaluation has now been undertaken. Officers' focus has centred on considering the robustness of the proposal, the confidence level that can be attached to the viability of the community proposal and thus whether they can recommend it to Council.

4. Consideration.

- 4.1 The proposal from the local partnership is to reopen the Girvan swimming pool with additional steam room, sauna and beauty treatment facilities on the ground floor and a gym located on the first floor. A Company Limited by Guarantee has been established with a Board of Directors drawn from the local community. Subject to the availability of funding, they envisage that the pool could potentially be re-opened approximately one year from commissioning. Key issues relating to the proposal are set out below.
- 4.2 The proposal is predicated on an outline financial model which in turn is informed by initial technical assessment of what is required to upgrade the building for the proposed usage. In evaluation discussions, it has become clear that technical considerations are not fully developed but rather are concepts with costs based on average costs for this kind of work and without assessment by a structural engineer. This opens up a strong probability that eventual costs will vary significantly from early indicative costs. It also opens up the possibility that not all technical issues have been factored into outline costings. For example, the cost plan includes work to recover the roof sufficient to obtain a guarantee for 12-15 years. The expected lifespan of a pool is more of the order of 25-30 years and it is probable that either a different initial approach to the roof would be required to ensure that it lasts for the duration of the pool's life or that a further injection of money would be required mid-life for further works to be undertaken. Similarly, the changed usage of the building has consequences for toilets required for the public and that appears not to have been factored in. Technical reworking of proposals is therefore likely in relation to toilets. Overall, the capital works contained within the financial model are considered to be outline estimates which officers consider to be optimistic.
- 4.3 Notwithstanding the concerns about the robustness of the required capital expenditure, an injection of around £2m is built into the community proposal. Officers have considerable concerns about the feasibility of a community project raising that level of capital in the current climate for the reopening of a swimming pool with some additional facilities. Low interest rates have resulted in a shrinkage in trust income thereby reducing grants being awarded by Trust funds. Competition for such funding has always been fierce but has become considerably more so over the last 12 months. Projects securing funding tend to be those of national significance or those which are very innovative. Officers expect the project to be able to secure some capital investment from grants and trusts and local businesses but have significant doubts about the feasibility for raising £2m plus even taking into account the fact that a local benefactor has committed £0.25m.
- 4.4 The financial model is underpinned by an assumed VAT refund which is predicated on an asset transfer to the community group, and approval from Her Majesty's Revenue and Customs (HMRC) for an approach whereby there is a holding company and an operating company to reduce VAT liability. It is not certain that HMRC will approve this approach. Although it has applied in another community swimming pool elsewhere in Scotland, HMRC consider these matters on a case by case basis. This introduces uncertainty on a further £375k within the financial model. Of significance, the transfer of asset model would have a bearing on the Council's ability to further redevelop in the vicinity of the swimming pool.

- 4.5 There are considerable concerns about the income and expenditure assumptions within the financial model.
- Employee costs – the employee costs are around half of those incurred while the Council operated the pool. The group were asked to clarify the proposed staffing structure, opening hours and the role of volunteers in order to enable comparison but reassurance on this point has not been secured.
 - Energy costs – these are half of the actual costs incurred by the Council in 2008/09. We are advised that energy saving technology will be used to deliver this reduction. The achievability of a 50% saving is questioned.
 - Insurance – the estimate seems low given the need for buildings, employer and public liability cover.
 - Income from admissions – the estimate is double the level of income actually collected prior to the pool's closure and higher than the best performing pools. The company has been unable to confirm how this can be achieved.
 - Depreciation – the estimate included does not reflect any depreciation of the building which is relevant given the transfer of asset.
 - Probing of figures included within the initial business case typically resulted in figures being revised or a cost-assumption with the assumptions lacking veracity.
- 4.6 Overall, officers' assessment is that expenditure is underestimated and income overestimated. There is significant uncertainty of the figures within the financial model so it is not possible to calibrate the scale of mis-estimation but on the basis of our professional judgment, is anticipated to be considerable. There are also concerns about cashflow.
- 4.7 The financial model requires an operating subsidy of £120k but officers consider that the gap between income and expenditure will be much greater. The community group expects to raise some money from a local charity shop which would be established to support the pool but almost all of the operating subsidy would be required to come from the Council.
- 4.8 The operating model assumes considerable volunteer activity in relation to the pool, it is not clear that the health and safety implications have been fully considered given the risks involved in operating a swimming pool nor the sustainability of volunteer input over the long term.
- 4.9 This is not an exhaustive list and there are a myriad of additional minor points. However, when the foregoing issues are considered collectively, the technical, financial and operational issues have led officers to assess that the community bid should not be recommended to Council. It is not underpinned by robust technical work and financial modelling. The assumptions made are optimistic and it is anticipated that the community group would fail to raise the capital required to reopen the pool and that even if that hurdle was overcome, the net operating costs would be considerably higher than outlined in the financial model and that an annual subsidy well in excess of £120k from the Council would be required.
- 4.10 Whilst further work would clarify detailed issues relating to capital and revenue issues, officers firmly believe that it would not change two fundamental points:-

- that a significant capital sum is required to reopen the pool (£2m plus) and that there is little prospect of this being secured from grants, trusts and other sources for a project of this type;
- and that an annual subsidy will be required from the Council and this will be well in excess of £120k.

4.11 On that basis, officers do not believe the community proposal to be robust and have low confidence in its viability and therefore regrettably, have concluded that it should not be recommended to Council and that demolition should now proceed with that work including the reinstatement of the carpark.

4.12 Officers are clear that there is a need to take a wider view of the needs of Girvan and surrounding area. Considerable development work has been undertaken throughout the year with the Girvan Strategic Group. The focus of that work has moved out from consideration of leisure facilities into consideration of the wider needs of the community in terms of economic development, tourism and social policy considerations.

4.13 The principle behind the bid submitted to the Town Centre Regeneration Fund was the development of a leisure complex with tourism related facilities which address the health, education, economic, environmental and social needs of the area. Discussions at the time confirmed partnership interest from the Royal Society for the Protection of Birds who had an interest in developing a presence in Girvan given the proximity to Ailsa Craig. SportScotland were also interested in exploring potential partnerships. Developments associated with the 'Sail West' project also offer opportunities. Partnership working presents an opportunity to achieve wider economic regeneration.

4.14 Officers recommend that development work continues and now moves into the preparation of detailed proposals for the regeneration of Girvan and surrounding area including consideration of the involvement of other partners/funders in future initiatives. It is recommended that development work be supported with up to £250k in the Change Fund identified for that purpose.

4.15 An initial report will be brought to the Council meeting on 2nd March setting out the detailed scope of the development work, how it will be taken forward, by whom and over what timescale.

5. Resource Implications.

Costs will arise from the demolition of the building (estimated to be in the order of £270k) and from further development work (up to £250k).

6. Results of Public Consultation.

There has been no public consultation on this paper.

Background Papers.

- Council Report – Proposed Closure of Girvan Swimming Pool (14th January 2009)
- Leadership Panel – Minutes of Special Meeting on 06th July 2009
- Council Report – Partnership Bid to Operate Girvan Swimming Pool (17th December 2009)

Persons to Contact.

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Date. 22 January 2010