

Argyll and Bute Council
Comhairle Earra-Ghàidheal Agus Bhòid

Customer Services
Executive Director: Douglas Hendry



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22 June 2017

NOTICE OF MEETING

A Special Meeting of the **POLICY AND RESOURCES COMMITTEE** will be held in the **COUNCIL CHAMBER, KILMORY, LOCHGILPHEAD** on **THURSDAY, 29 JUNE 2017** at **11:00 AM**, which you are requested to attend.

Douglas Hendry
Executive Director of Customer Services

BUSINESS

1. **APOLOGIES FOR ABSENCE**
 2. **DECLARATIONS OF INTEREST (IF ANY)**
 - * 3. **NEW SCHOOLS REDEVELOPMENT PROJECT** (Pages 1 - 12)
Report by Executive Director – Customer Services
 4. **CAMPBELTOWN CHORD SURPLUS FUNDS** (Pages 13 - 116)
Report by Executive Director – Development and Infrastructure Services
 - * 5. **ROTHESAY PAVILION - REQUEST FOR ADDITIONAL FUNDING** (Pages 117 - 124)
Report by Executive Director – Development and Infrastructure Services
- E1** (a) Appendix 1 (Pages 125 - 126)

Items marked with an “asterisk” are items, on the basis of information available at the time this Agenda is published, on which the Committee may not have delegated powers to act, and which may therefore require to be referred to the Council or another Committee, and that referral may depend on the decision reached at the meeting.

The Committee will be asked to pass a resolution in terms of Section 50(A)(4) of the Local Government (Scotland) Act 1973 to exclude the public for items of business with an “E” on the grounds that it is likely to involve the disclosure of exempt information as defined in the appropriate paragraph of Part I of Schedule 7a to the Local Government (Scotland) Act 1973.

The appropriate paragraph is:-

E1 Paragraph 4 Information relating to any particular applicant for, or recipient or former recipient of, any financial assistance provided by the authority.

Policy and Resources Committee

Councillor John Armour	Councillor Rory Colville
Councillor Robin Currie	Councillor Jim Findlay
Councillor Kieron Green	Councillor Roderick McCuish
Councillor Yvonne McNeilly	Councillor Aileen Morton (Chair)
Councillor Ellen Morton	Councillor Gary Mulvaney (Vice-Chair)
Councillor Douglas Philand	Councillor Alan Reid
Councillor Elaine Robertson	Councillor Len Scoullar
Councillor Sandy Taylor	Councillor Richard Trail

Contact: Hazel MacInnes Tel: 01546 604269

ARGYLL AND BUTE COUNCIL**POLICY & RESOURCES COMMITTEE****COMMUNITY SERVICES
CUSTOMER SERVICES****29 JUNE 2017**

NEW SCHOOLS REDEVELOPMENT PROJECT

1.0 EXECUTIVE SUMMARY

- 1.1 This report provides Members with progress on the Stage 2 Submission by hubNorth Scotland Ltd (hubNorth) to refurbish/part new build Dunoon Primary School.
- 1.2 The formal Stage 2 Submission is expected to be received by the Council shortly. The key elements of the submission have been subject to review by the Council's schools redevelopment project team with support from the Council's external legal advisors and the Scottish Futures Trust (SFT) and it is considered that the project is ready to progress to Contract Close.
- 1.3 The Dunoon Primary School project, as it is a Design and Build Direct Agreement (DBDA), is not required to undergo a Key Stage Review (KSR) by the SFT.
- 1.4 The key programme dates are set out in Paragraph 4.1.1 for the Dunoon Primary School project. Due to the restrictions in accommodation available during the construction phases, the Early Learning and Child Care (ELCC) children and staff and ESCAPE (After School Care Provision) will be decanted out of Dunoon Primary School to Kirn Primary ELCC and the Girl Guide Hall, Dunoon, respectively until the works are completed.

1.5 Council's Financial Provision

The table below summarises the Council's current projected financial position in relation to the Dunoon Primary School project. The Council's project team has, in liaison with the SFT, continuously challenged hubNorth to deliver a cost effective project in respect of Dunoon Primary School.

Of course, the final project costs cannot be known until after the Stage 2 process and prior to Contract Close.

The Council's project team are currently engaged in looking at further efficiencies that can be achieved to reduce costs or minimise the risk of further increases in costs.

Table 1 sets out the comparison of the anticipated Stage 2 cost to the current Council Capital Plan contribution for the Dunoon Primary School element of the New Schools project.

Table 1 - Comparison to Council Capital Plan	£
Current Capital Plan for Dunoon Primary School	9,259,000
Anticipated Stage 2 costs for Dunoon Primary School	10,009,000
Anticipated additional costs	750,000

Based on the anticipated Stage 2 costs, the financial requirements for the Dunoon Primary School projects are £750k higher than the current Capital Plan. It is anticipated that these additional costs will be required to be met out with the current project budget. It has therefore been proposed that £750,000 be earmarked from 2016/17 favourable outturn to meet additional costs within 2017/18 and 2018/19.

Uplift in cost

The uplift in costs for the Dunoon Primary School project are due to a number of factors:

- An extended construction programme due to the complexities of the phasing of the works in order to keep the primary school fully operational over a period of 2 years;
- The extended programme has a knock-on effect on commodity prices, in particular for materials not required until the Phase 2 works commence, and inflation risk; and
- Dealing with a large refurbishment project as well as a Listed building, that has added an element of risk inbuilt to the costs.

Construction Risk

It should be noted that refurbishment of the West Wing and demolition of the East Wing bring additional risk in that the facility is an operational school and there is therefore limited scope to carry out intrusive surveys when scoping out the extent and cost of the works required.

There are, therefore, building elements within the refurbishment and demolition which may have inherent / latent defects or in which the precise amount and nature of rot or asbestos cannot be determined where additional cost risk may materialise. In that event, the cost risk would rest with the Council and would require additional funding. That is a matter that will be monitored closely during the construction period.

RECOMMENDATIONS

- 1 Note the project programme key dates for Dunoon Primary School at Paragraph 4.1 hereof;
- 2 Note the position in regard to the Stage 2 Submission from hubNorth Scotland Ltd in respect of the Dunoon Primary School project. The detail of which is referred to in Paragraph 4.2 hereof;
- 3 Agree
 - 3.1 That the Council enter into the DBDA agreement for Dunoon Primary School, subject to the approval of earmarked sums of £750,000 to meet the anticipated

additional funds, based on the financial position as set out at paragraph 4.3 hereof;

- 3.2 That delegated authority be granted to the Executive Director – Customer Services, or his nominated representative, in consultation with the Executive Director - Community Services, the Head of Strategic Finance, the Council Leader, Depute Leader, and the Policy Lead for Education, to negotiate, agree and enter into any and all documentation in regard to contract close for the Dunoon Primary School Design and Build Direct Agreement (DBDA);
 - 3.3 That the Executive Director – Customer Services, or his nominated representative, be authorised to sign on behalf of the Council any and all documentation in regard to contract close for the Dunoon Primary School DBDA; and
 - 3.4 That the Head of Strategic Finance be authorised as the named individual on behalf of the Council for the purpose of the insurance proceeds account to be opened in terms of the Project Agreement and the Insurance Proceeds Account Agreement.
- 4 Note the Dunoon Primary School decant arrangements as set out in Paragraph 4.4 hereof.

ARGYLL AND BUTE COUNCIL

POLICY & RESOURCES COMMITTEE

COMMUNITY SERVICES
CUSTOMER SERVICES

29 JUNE 2017

NEW SCHOOLS REDEVELOPMENT PROJECT

2.0 INTRODUCTION

- 2.1 This report provides Members with progress on the Stage 2 Submission by hubNorth Scotland Ltd (hubNorth) to refurbish and part new build Dunoon Primary School.
- 2.2 The Dunoon Primary School Design Build Direct Agreement (DBDA) project is approaching Contract Close. The contract that is to be entered into pursuant to the Scottish Government's hub initiative is the construction of a primary school with capacity for 300 primary pupils and 30 Early Learning and Child Care (ELCC) places.

The project at Hillfoot Street, Dunoon, PA23 7DR, will encompass the retention and refurbishment of the existing West Wing of Dunoon Primary School. The current East Wing and the stand alone outbuilding housing the Gym Hall will both be demolished and replaced with a new build element, a new East Wing. The new East Wing will have a direct link to the retained West Wing. The East Wing will comprise a Gym Hall, ELCC playroom and separate Family Learning Centre, school library, and staff accommodation. The provision to include landscaping, play and amenity areas all to improve the efficiency of the services provided by the Council.

- 2.3 The key elements of the Stage 2 Submission for the Dunoon Primary School Design Build Direct Agreement (DBDA) project has been reviewed by the Councils' schools redevelopment project team with support from the Council's external legal advisors and the Scottish Futures Trust (SFT).

3.0 RECOMMENDATIONS

It is recommended that the Policy and Resources Committee:

- 1 Note the project programme key dates for Dunoon Primary School at Paragraph 4.1 hereof:
- 2 Note the position in regard to the Stage 2 Submission from hubNorth Scotland Ltd in respect of the Dunoon Primary School project. The detail of which is referred to in Paragraph 4.2 hereof;
- 3 Agree
 - 3.1 That the Council enter into the DBDA agreement for Dunoon Primary School,

subject to the approval of earmarked sums of £750,000 to meet the anticipated additional funds, based on the financial position as set out at paragraph 4.3 hereof;

- 3.2 That delegated authority be granted to the Executive Director – Customer Services, or his nominated representative, in consultation with the Executive Director - Community Services, the Head of Strategic Finance, the Council Leader, Depute Leader, and the Policy Lead for Education, to negotiate, agree and enter into any and all documentation in regard to contract close for the Dunoon Primary School Design and Build Direct Agreement (DBDA);
 - 3.3 That the Executive Director – Customer Services, or his nominated representative, be authorised to sign on behalf of the Council any and all documentation in regard to contract close for the Dunoon Primary School DBDA; and
 - 3.4 That the Head of Strategic Finance be authorised as the named individual on behalf of the Council for the purpose of the insurance proceeds account to be opened in terms of the Project Agreement and the Insurance Proceeds Account Agreement.
- 4 Note the Dunoon Primary School decant arrangements as set out in Paragraph 4.4 hereof.

4.0 DETAIL

4.1 Dunoon Primary School - Programme

The current projected programme dates for the Dunoon Primary School project are:

Date	Description
June 2017	Stage 2 Submission expected to be approved by Board of hubNorth Scotland
April – June 2017	Stage 2 evaluation and review by Council Schools Redevelopment Project Team with support from Council’s External Legal Advisors and Scottish Futures Trust
29 June 2017	Policy and Resources Committee to agree the project can proceed to Contract Close
30 June 2017	Contract Close
July 2017	Phase 1 Construction commences with-mobilisation, including some external works
June/July 2017	Dunoon Primary School pupils and staff decant to East Wing
July 2017 to May 2018	Refurbishment of West Wing.
April/May 2018	End of Phase 1 as Dunoon Primary School pupils and staff decant back to refurbished West Wing.
May 2018 – April 2019	Phase 2 commences with the demolition of East Wing and construction of new build East Wing.
April 2019	School occupation of East Wing.

April/May 2019	Demolition of stand-alone outbuilding (existing Gym Hall) and External Works
June 2019	End of Phase 2 and Practical Completion

4.2 HubNorth Stage 2 Submission – Dunoon Primary School Project

- 4.2.1 The formal approval of the Stage 2 Submission by the Board of hubNorth Scotland for the Dunoon Primary School Project is expected shortly.
- 4.2.2 The key elements of the submission have been subject to review by the Council's Schools Redevelopment Project Team with support from the Council's external legal advisors and the SFT. The review has included:
- Commercial and Legal Matters;
 - A Value for Money Assessment;
 - Design Review and Validation; and
 - Approvals.
- 4.2.3 The Council's Schools Redevelopment Project Team, with support from the SFT, has discussed a number of key commercial matters with hubNorth. These matters related to:
- Prelims;
 - Design Fees;
 - Inflation;
 - Commodity Prices;
 - Risk; and
 - Construction Programme.
- 4.2.4 A number of other areas identified within the Legal, Design and Approval sections of the Stage 2 evaluation and review were marked as Amber. However, these areas continue under review and scrutiny with the participation of the SFT so that they are resolved prior to Close on the project.
- Based on the current position achieved through the evaluation and review of the Stage 2 Commercial, Legal and Technical aspects of the Dunoon Primary School Project, it is considered that the project is ready to progress to Contract Close.
- 4.2.5 The Dunoon Primary School project is a DBDA project, and as such, the Stage 2 Submission is not required to undergo a KSR by the SFT.
- 4.2.6 Prior to Contract Close being reached on the Dunoon Primary School project, the Council was required to discuss the progress and proposals of the project with the Scottish Government (SG) and SFT. The discussions took the form of a presentation and workshop held on Monday 10 April 2017, at the SFT offices in Edinburgh.

The Council's project team demonstrated through its presentation, how it has responded to achieving the Scotland's Schools for the Future Programme goals within each project. Namely:

- Efficient & Effective Procurement;
- Cost Efficiency; and
- Delivery of the Schools Estate Strategy Principles.

The outcome for the workshop has been a clear understanding between the parties (SG, SFT, and the Council) that the school project is on track to achieving the key programme goals.

4.3 The Council’s Financial Provision

4.3.1 The table below summarises the Council’s current projected financial position in relation to the Dunoon Primary School project. The Council’s project team has, in liaison with the SFT, continuously challenged hubNorth to deliver a cost effective project in respect of Dunoon Primary School.

Of course, the final project costs cannot be known until after the Stage 2 process and prior to Contract Close.

The Council’s project team are currently engaged in looking at further efficiencies that can be achieved to reduce costs or minimise the risk of further increases in costs. Table 1 sets out the comparison of the anticipated Stage 2 cost to the current Council Capital Plan contribution for the Dunoon Primary School element of the New Schools project.

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Uplift in cost

The uplift in costs for the Dunoon Primary School project are due to a number of factors:

- An extended construction programme due to the complexities of the phasing of the works in order to keep the primary school fully operational over a period of 2 years;
- The extended programme has a knock-on effect on commodity prices, in particular for materials not required until the Phase 2 works commence, and inflation risk; and
- Dealing with a large refurbishment project as well as a Listed building, that has added an element of risk inbuilt to the costs

Construction Risk

It should be noted that refurbishment of the West Wing and demolition of the East Wing brings additional risk in that the facility is an operational school and there is therefore limited scope to carry out intrusive surveys when scoping out the extent and cost of the works required.

There are, therefore, building elements within the refurbishment and demolition which may have inherent / latent defects or in which the precise amount and nature of rot or asbestos cannot be determined where additional cost risk may materialise. In that event, the cost risk would rest with the Council and would require additional funding. That is a matter that will be monitored closely during the construction period.

4.4 Dunoon Primary School - Decant Arrangements

4.4.1 The Dunoon Primary School Project will be completed over two distinct construction phases as outlined in paragraph 4.1.1.

Phase 1 of the Works will involve the refurbishment of the current West Wing. This will require:

- All Primary school classes based in the West Wing;
- Pupils in the Learning Centre (LC); and
- East Cowal After School Care Project (ESCAPE)

to be decanted out of the current West Wing. The decant accommodation during Phase 1 will be provided within the East Wing, but that building alone cannot occupy all the various school users.

During the Phase 1 works to the West Wing, the current school kitchen and dining room will not be available for use. Temporary modular kitchen accommodation will be installed in the school playground along with some enabling works to the existing gym hall to facilitate its use as a dining room.

Dunoon Primary School is a designated Learning Centre (LC). Meeting the needs of these pupils and maintaining continuity of service and familiarity of surroundings for these children has been paramount in the planning for the Works period. During Phase 1, the pupils and staff of the LC will decant into the General Purpose Room on the Ground Floor of the East Wing. The children remain on site and then move back into their newly refurbished rooms once the construction work in the West Wing has been completed.

The remaining rooms in the East Wing will be required to accommodate all of the Primary 1 – 7 classes.

Due to the tight nature of the school site itself with limited outdoor play space, and that a large part of the available play space will be required by the construction company during both phases of the works and the installation of the temporary modular school kitchen, it is considered that using any of the remaining play space for siting temporary classroom accommodation would have a serious impact on the life of the school over the period of the works.

- 4.4.2 Phase 2 of the Works will comprise the demolition of the East Wing and construction of the new Early Learning and Child Care accommodation, Family Centre and Gym Hall.

Until both Phases 1 and 2 of the Works have been completed, the Early Learning and Childcare children and staff and ESCAPE have no accommodation available to them on the Dunoon Primary School site.

The decant arrangements that have been put in place have been carefully developed through the Principal Officer for Early Learning and Childcare, with the Head Teacher of Dunoon Primary School, and where appropriate the Head Teachers of both Kirn Primary School and Dunoon Grammar School.

4.4.3 **Dunoon Primary School Early Learning and Childcare**

During the Works the Early Learning and Childcare children and staff will be relocated to the Early Learning and Childcare facilities at Kirn (currently sited at Dunoon Grammar School). A variation will be made to the Care Inspectorate for this move. The Dunoon Early Learning and Childcare pupils/staff will remain at Kirn and then move to the new Kirn Primary School until they are of age to start P1 in Dunoon Primary School or move back to the new Early Learning and Child Care accommodation in the new build East Wing.

4.4.4 **ESCAPE**

ESCAPE provides after school care during term time and holiday periods. Temporary accommodation for the duration of the Works will be provided in the Guide Hall, Dunoon. The move will require some minor building adaptations to be made to the Guide Hall to ensure that a variation in placement for ESCAPE meets the Care Inspectorate requirements.

Very positive discussions have been held with representatives of ESCAPE and the Girl Guiding committees, and plans for this decant have been put in place. The decant to the Guide Hall is expected to take place in June 2017 at the end of the current school session. ESCAPE will operate from the Guide Hall until April 2019 when the new East Wing is estimated to open. At that point ESCAPE would return back to Dunoon Primary School.

- 4.4.5 On the completion of the East Wing in April 2019, the Early Learning and Child Care children and Staff, and ESCAPE, will move back into Dunoon Primary School.

In summary, the key decant programme dates are:

Date	Description
June/July 2017	Decant of materials: <ul style="list-style-type: none"> • Dunoon West Wing to East Wing • Dunoon Primary School ELC to Kirn ELCC at Dunoon Grammar School; and

	<ul style="list-style-type: none"> the Guide Hall for ESCAPE.
July 2017 – April 2019	ESCAPE accommodated in Guide Hall, Dunoon
August 2017 – October 2017	Dunoon ELCC children & staff start the new school term at Kirn ELCC sited at Dunoon Grammar.
October 2017	Dunoon ELCC children and staff decant, along with Kirn ELCC children and staff, to Kirn ELCC in the new Kirn Primary School
October 2017 April 2019	Dunoon ELCC children and staff accommodated in the new Kirn Primary School
April 2018	Decant of materials back from East Wing to the newly refurbished West Wing.
April 2019	Dunoon ELCC children and staff, and ESCAPE return to the now completed Dunoon Primary School

The schools redevelopment project team continue to liaise closely with the school and ESCAPE with details on the arrangements for the decant issued at appropriate times.

- 4.4.6 Due to the scale of the decant associated with this project, the Scottish Government has approved a request for three exceptional closure days to ensure that all the necessary materials have been packed, decanted, and are organised and ready for the pupils. The exceptional closure dates for pupils are Thursday 29 and Friday 30 June and Wednesday 16 August 2017. Newsletters have been issued to parents advising them of these exceptional closure dates.

5.0 CONCLUSION

- 5.1 The formal Stage 2 Submission is expected to be received from hub North Scotland Ltd shortly. The key elements of the submission have been subject to review by the Council's schools redevelopment project team with support from the Council's external legal advisors and the Scottish Futures Trust (SFT) and it is considered that the project is ready to progress to Contract Close.
- 5.2 Shortly after Close, construction work will commence on the Dunoon site.

6.0 IMPLICATIONS

Policy The Council previously authorised the Executive Director of Community Services to issue the NPR for the Dunoon Primary School project on the basis of the agreed design capacity and assessment of affordability. In addition, the Council has delegated all matters in respect of the provision of the new school facilities to the Council's Policy and Resources Committee.

Financial This report outlines the current financial position. The affordability of the

project cannot be fully assessed until Contract Close is reached.

Legal The issue and acceptance of the NPR commenced the process of formal legal engagement of hubNorth for development of the project for delivery of the proposed refurbished/part new build school.

HR None at present.

Equalities None at present.

Risk The Council needs to progress the project to ensure occupation of the school within the Scottish Government's end date of April 2019.

The refurbishment and demolition elements of the project bring additional risk in that the facility is an operational school and there is therefore limited scope to carry out intrusive surveys when scoping out the extent and cost of the works required.

There are, therefore, building elements within the refurbishment and demolition which may have inherent / latent defects or in which the precise amount and nature of rot or asbestos cannot be determined where additional cost risk may materialise. In that event, the cost risk would rest with the Council and would require additional funding. That is a matter that will be monitored closely during the construction period.

Customer Service The design solution from hubNorth for the Dunoon project will require a decant of Early Learning and Child Care children and staff out of the current school buildings to Kirn Primary ELCC currently situated at Dunoon Grammar School, and then to the new Kirn Primary School when it opens. The after school care provided by ESCAPE will decant on a temporary basis to the Guide Hall, Dunoon. The detailed planning for the decant in the Dunoon Primary School project continues with project information issued to each school community and ESCAPE at appropriate times.

Douglas Hendry, (Executive Director of Customer Services)
Ann Marie Knowles, (Acting Executive Director of Community Services)

Councillor Yvonne McNeilly, (Policy Lead - Education)
Argyll and Bute Council

25 May 2017

For further information contact:
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David Logan - Special Project Team – 01546 604322

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ARGYLL AND BUTE COUNCIL

POLICY AND RESOURCES
COMMITTEE

DEVELOPMENT AND
INFRASTRUCTURE SERVICES

29 JUNE 2017

CAMPBELTOWN CHORD SURPLUS FUNDS

1.0 EXECUTIVE SUMMARY

- 1.1 This report assesses two external funding requests to be allocated from surplus CHORD funds following approval by the Policy and Resources Committee:
- 1) from Kintyre Seasports for £20,000 of funding to go towards the preparation of a Full Business Case for the Kintyre Seasports Project (KSP) which has a total cost of circa £80,000. The balance of the required amount is to come from private investors, the Sailing Club and KSP partners.
 - 2) from Campbeltown Community Business for £40,000 to support the capital costs of the Restoration of The Picture House. If approved, the £40,000 will be used to help meet the cost of; the fit out of the foyer and catering facilities and the additional costs incurred as a result of extensive damp and dry rot rectification works.
- 1.2 Kintyre Seasports is a new partnership comprising 14 partners from the Kintyre area (see **Appendix 1**) aiming to be a hub for water sports activities in Campbeltown. Kintyre Seasports will be based in new premises at Dalintober close to the site of the existing yacht club on reclaimed land, owned by Campbeltown Sailing Club. The centre will facilitate all water sports activities within the Campbeltown Loch area, with other non-water based activities also to be supported.
- 1.3 Campbeltown Community Business (CCB) is at an advanced stage of restoring the `A` Listed Picture House as an `atmospheric cinema` with new facilities improving the cinema going experience and ensuring viability of the community based business. On completion the Picture House will offer:- a 193 seat restored historic cinema auditorium also capable of use for live music and drama; a new 52 seat auditorium, a new foyer and café area; an exhibition area; a meeting/committee room; and up to date low energy infrastructure.
- 1.4 CCB is already in receipt of grant funding of £190,000 from the Council for the cinema project. This includes £40,000 CHORD funding that was approved in May 2015. To date £153,134.89 has been paid to CCB against total expenditure of over £2million.

RECOMMENDATIONS

- 1.6 That members note the content of this report and consider:
- 1) The request from Kintyre Seasports for £20,000 to assist with the preparation of a Full Business Case for the Kintyre Seasports Project. If the grant is approved it will be subject to the following conditions:
 - i) Kintyre Seasports providing evidence that the remainder of the funding is in place to complete the Full Business Case.
 - ii) Evidence that Kintyre Seasports has carried out a competitive tendering process to appoint the external consultants who will be preparing the Full Business Case.
 - 2) The request from Campbeltown Community Business for an additional contribution of £40,000 towards the capital costs of the Restoration of The Picture House.

ARGYLL AND BUTE COUNCIL

**POLICY AND RESOURCES
COMMITTEE**

**DEVELOPMENT AND
INFRASTRUCTURE SERVICES**

29 June 2017

CAMPBELTOWN CHORD SURPLUS FUNDS

2.0 INTRODUCTION

- 2.1 This report has been produced to assess two external funding requests for surplus Campbeltown CHORD funds. The Kintyre Seaports partnership has requested £20,000 to assist with the preparation of a Full Business Case for the Kintyre Seaports Project (KSP). Campbeltown Community Business (CCB) has requested £40,000 towards the capital costs of the Restoration of The Picture House
- 2.2 On the 16th March 2017 the Policy and Resources Committee agreed that the Development and Infrastructure Services Department should undertake further work to assess both requests, as set out in paragraphs 4.5.5 to 4.5.8 of the report considered at the Mid Argyll, Kintyre and the Islands Area Committee on the 1st February 2017. It was also agreed that the outcome of both assessments should be reported back to a future meeting of the P&R Committee for further consideration.
- 2.3 Both assessments have now been undertaken.

3.0 RECOMMENDATIONS

- 3.1 That members note the content of this report and consider:
- 1) The request from Kintyre Seaports for £20,000 to assist with the preparation of a Full Business Case for the Kintyre Seaports Project. If the grant is approved it will be subject to the following conditions;
 - i) Kintyre Seaports providing evidence that the remainder of the funding is in place to complete the Full Business Case.
 - ii) Evidence that Kintyre Seaports has carried out a competitive tendering process to appoint the external consultants who will be preparing the Full Business Case.
 - 3) The request from Campbeltown Community Business for an additional contribution of £40,000 towards the capital costs of the Restoration of The Picture House.

4.0 DETAIL

Kintyre Seasports Project

- 4.1 Kintyre Seasports is a new partnership comprising 14 partners from the Kintyre area (see page 5, **Appendix 1**) with an ambition to be a hub for water sports activities in Campbeltown. A SCIO has been formed (registered on 24th May 2017), to take the project forward and will be the funding vehicle for the project. At the time of writing this report the composition of this SCIO is not available. The Outline Business Case (**Appendix 1**) states that “the project has enormous local and regional support, with the potential to bring the community together around a marine focus and ensure that there is yet another reason for people to choose to remain, relocate or visit Campbeltown”. The Outline Business Case further states that impacts will include; 350 people will benefit from the sailing school operation; 60% of those receiving training will come from outwith the region; membership of clubs involved in the project will rise, tourism will increase as the sailing school develops.
- 4.2 £20,000 of funding is sought from the surplus CHORD funds from Campbeltown. This will go towards the preparation of a Full Business Case which has a total cost of circa £80,000. The balance of the required amount is to come from private investors, the Sailing Club and KSP partners.
- 4.3 KSP aims to build upon Campbeltown’s strong maritime heritage through working with partners to develop a community water sports operation that would see Campbeltown Sailing Club (the lead partner) developing new premises, the Dalintober beach being brought into active use and better premises provided for use by the Sea Cadets and other groups. It is envisaged that the KSP would create new opportunities for sea sports, equipment and training facilities for young people, families and adults in south Kintyre.
- 4.4 The capital costs for the project are estimate to be approximately £1.8m. The project will include land reclamation from the littoral zone directly in front of the existing yacht club (**Appendix 1**). A new multipurpose single storey building of approximately 500m² will be built on the reclaimed land, the demolition of the current yacht club building and the creation of boat storage area. The project is ambitious but it is noted in the Outline Business Case that “it was felt that this was the only option that could efficiently accommodate all of the differing uses with associated membership growth and operate safely and efficiently”.
- 4.5 It is estimated that the preparation of Full Business Case will take six to nine months to complete (including planning permission). Land reclamation and build is estimated at one year. It is proposed that the project will create two full time and three seasonal jobs and will have an operating cost of circa £135,000 per annum.

- 4.6 Tourism and Economic Impact: Currently, adventure tourism within the Campbeltown and Kintyre region comprises activities such as horse riding, sea tours, golf, fishing and surfing. As well as this, extensive walking and cycling opportunities are established, particularly in relation to the Kintyre Way. The Kintyre Seaports project has potential to increase the number of activity types on offer and help create added value to Campbeltown's destination offer (potentially also acting as a catalyst for a new adventure tourism cluster)
- 4.7 Financial Implications and Risks: The Outline Business Case notes that the project is highly ambitious and wide reaching. However, the potential benefits to the local community are significant. The greatest risk at this point is the Full Business Case returning a verdict that proves the project not feasible. The second most significant risk is being unable to obtain planning permission to reclaim land from the littoral zone and to build the new premises due to the Special Built Environment Area. Any new building in this area must preserve or enhance the character of the area and will need to provide detail on how this will be achieved. The outline business case refers to possible capital funding and lists CHORD as a possible source. Kintyre Seaports have indicated that they have no plans to approach the Council for further funding if the Full business Case proves positive.
- 4.8 At the November 2015 MAKI Area Community Planning group Kintyre Seaports requested that their project be admitted to the SOA: Local (now Local Outcomes Improvement Plan). It was agreed that the project is directly related to the SOA outcomes and that it demonstrates strong partnership working. However, it was felt that the project had a distance to travel.
- 4.9 Without the requested funding of £20,000 it is unlikely that this project could progress. The funding assessment matrix (**Appendix 2**) outlines the detail provided by KSP.

Campbeltown Community Business – The Picture House

- 4.10 The Picture House is one of the oldest, purpose-built cinemas in Europe. The project aims to restore the category 'A' Listed Picture House to its 1930s glory as an 'atmospheric cinema' with added facilities improving the cinema going experience and ensuring viability of the business. (**Appendix 3**)
- 4.11 The project aims to deliver a venue that becomes the hub for indoor entertainment serving both the local community and visitors to the area. It will complement on-going regeneration in Campbeltown via the Campbeltown CARS and THI and wider CHORD programme. There will be links with similar projects within Argyll and Bute including the Rothesay Pavilion and Dunoon Burgh Hall.
- 4.12 A request has been received from Campbeltown Community Business (CCB) for additional funding of £40,000 from surplus CHORD funds to help complete the capital phase of the restoration of The Picture House. The project is at an advanced stage and the construction phase is almost complete. The overall total project cost of £3,419,980. If approved, the £40,000 will be used to help meet the

cost of; the fit out of the foyer and catering facilities and the additional costs incurred as a result of extensive damp and dry rot rectification works.

- 4.13 CCB is already in receipt of grant funding of £190,000 from the Council for the cinema project. To date a total of £153,134.89 has been paid to CCB against total expenditure of over £2million.
- 4.14 Following the completion of the construction phase CCB will be responsible for a number of areas of internal work including client fit-out. The existing budget plus additional funding that CCB has secured from other funders covers the majority of the costs apart from a shortfall of £163,686. CCB are actively pursuing funding to cover this, including on-going local and private fundraising, sponsorship of cinema seats and an application to HIE for £70,000. It is anticipated that a positive outcome on the CHORD funding will strengthen the case for additional funding.
- 4.15 Specific benefits arising from the project which will contribute to economic growth both locally and further include economic, cultural and community benefits (**Appendix 4**).
- 4.16 Policy impact: The project meets the objectives of the Single Outcome Agreement (**Appendix 4**). The project also develops specific important elements of the Economic Development Action Plan 2016 – 2021 by;
- sustaining and increasing employment by developing successful businesses;
 - developing economic opportunities linked to tourism;
 - protecting and promoting the area's cultural, social and natural heritage.
- 4.17 Governance: The Board of CCB has been expanded and strengthened in recent years to meet funders' requirements. It comprises 10 directors with specific skills including legal, financial, film, public entertainment, digital marketing and heritage.
- 4.18 Financial Impact: The total capital cost of the cinema project is £3,419,980. To date CCB has secured £3,259,294 from a variety of funders including: Heritage Lottery Fund, Creative Scotland, Coastal Communities Fund, HIE, Historic Environment Scotland plus Argyll and Bute Council.

CCB have also secured over £352,000 from other sources including; trust funds, foundations, corporate donations, investment, other funders and local fundraising.

There is a shortfall of £163,686 (as per section 4.12)

- 4.19 Deliverability: CCB has been working on the cinema project for over ten years and during this period they have overcome major hurdles. Significant resources have been invested in the project, both financially and by the project team and its partners including over 6,000 volunteer hours. The main construction phase

is due to be completed at the end of June 2017. Following this CCB will be responsible for the operation of the Picture House, through employment of a Picture House Manager and other staff, and providing governance support. The recent discovery of dry rot and dampness delivered another setback but with the support of key funders the project can be completed as per the approved scheme specification.

- 4.20 Risk: A comprehensive Risk Analysis is contained within Section 12 of the latest business plan (**Appendix 3**). The main risk outstanding in the delivery phase relates to the budget shortfall (see section 4.12). The fallback position is that certain items can be leased rather than purchased and loans can be secured. It is hoped that this will not be required. The operational phase – covers economic, market and management risks and seeks to mitigate these in ways that are normal for projects of this nature. CCB have secured Resilient Heritage funding from the Heritage Lottery Fund with possible match funding from HIE to support the first two years of operation, allowing The Picture House to become established.

The funding assessment matrix (**Appendix 4**) outlines all of the detail provided by CCB.

5.0 CONCLUSIONS

Kintyre Seasports Project

- 5.1 The Outline Business Case indicates a high level of support for this project. The key challenges for attracting tourists to the Kintyre Seasports centre are geography, transport, promotion and ability to provide a service which is attractive to locals, existing regular visitors and new visitors to the Kintyre area.
- 5.2 It is clear that without the level of funding requested it will be extremely difficult if not impossible for the Full Business Case to be realised

Campbeltown Community Business - The Picture House

- 5.3 The renovated Picture House will deliver a venue in Kintyre that becomes the hub for indoor entertainment serving the community and visitors to the area. The provision of additional funding of £40,000 from the Campbeltown CHORD budget will ensure that the building can be completed as per the approved scheme specification. Some of the other main funders have already provided additional funding to help CCB meet their shortfall, demonstrating the

commitment of partners to get this project over the line.

- 5.4 Without the requested funding of £40,000 CCB will be left with three choices as follows:
1. Omit some aspects such as the kitchen fit-out and some technical facilities.
 2. Secure a loan.
 3. Lease some catering and technical equipment.

All options are likely to impact on the operation and viability of the business. In particular the loan or lease would carry a high risk and would place a burden on the already tight operating budgets of a community run organisation.

6.0 IMPLICATIONS

- 6.1 Policy None
- 6.2 Financial The level of surplus funds for Campbeltown Chord has been agreed with Finance. There is sufficient funding in place to cover the additional funding for both projects.
- 6.3 Legal None
- 6.4 HR Limited as the additional funding for the cinema project will be administered in the same manner as the existing Council grant payments.
- 6.5 Equalities None
- 6.6 Risk **Kintyre Seaspports Project:** There is no guarantee that the expenditure of additional funds will deliver additional employment and growth in GVA. However, if the decision is taken not to commit additional funds it is unlikely that the necessary work will be taken to reach the next stage of the process which will be to prepare a Full Business Case and access grant funding.
- The Picture House:** If the additional £40,000 is awarded there is still a risk that CCB cannot raise the remainder of the shortfall but following the latest assessment this would appear unlikely. It should be noted that the £40,000 will strengthen CCB's other pending applications and will help to get the project over the line.
- 6.7 Customer Service None

Executive Director of Development and Infrastructure Services: Pippa Milne

Policy Lead Gary Mulvaney

29 May 2017

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APPENDICES

Appendix 1 – Kintyre Seasports Project Outline Business Plan

Appendix 2 – Kintyre Seasports Project funding assessment matrix

Appendix 3 – The Picture House Business Plan

Appendix 4 – The Picture House funding assessment matrix

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Kintyre Seaports

Outline of Business Case and Feasibility Study

September 2016



Control Sheet

CLIENT: Kintyre Seasports Partners led by Campbeltown Sailing Club

PROJECT TITLE: Kintyre Seasports Project

REPORT TITLE: Outline of Business Case and Feasibility Study

PROJECT REFERENCE: 0116 Kintyre Seasports

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Reviewed by	Craig Latimer		21 July 2016
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Issue	Date	Status	Description	By	Check	App
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3		DRAFT	1 st Draft for Client		MRL	
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5	22/09/2016	Final	Revised figures, members, and context		MRL	MRL
6						

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1.0 Executive Summary - Kintyre Seasports



The Kintyre Seasports Project (KSP) is a broadly based community partnership seeking to invest in the future well-being and life chances of the South Kintyre population through multi-activity outdoor and adventure sports. In addition it lays the groundwork for attracting more tourism and sporting events to Campbeltown Loch, a world class natural asset for recreational and competitive water sports.

The KSP partnership currently comprises Active Schools, Kintyre Youth Cafe, Kintyre Canoe Club, Sea Cadets, Campbeltown Marina, Kintyre Diving Group, Royal British Legion, Scouts and Guides, Dalintober Beach Group, Machrihanish Airbase Community Company (MACC) and Campbeltown Sailing Club. Island View Forces Respite Association, a local charity supporting wounded and invalided veterans, has recently joined. The group intends to form a SCIO charity, to which the Sailing Club plans to contribute land and facilities owned by the members.

KSP is actively supported by local councillors, Argyll and Bute's MP and Royal Yachting Association Scotland (RYAS), the national governing body for sailing and related sports. Through funding provided by Campbeltown's Common Good Fund, MACC, Dalintober Beach Group and the Sailing Club, this Business Case has been produced by Blue Sea Consulting (the "Consultants"), who advised on the recent expansion of Campbeltown Marina.

Given the likely synergy with the Marina, which is 30% ahead of plan on visitor numbers, KSP offers a genuine opportunity to further increase tourism, a major contributor to the Kintyre economy. More immediately the local community suffers from high youth unemployment and its associated problems, something KSP hopes to address. The local police have said that Kintyre Youth Cafe (a KSP partner with 150 members, 65 of whom are Outreach), has already contributed to a 17% decrease in youth crime. This remarkable turnaround could be improved further as KSP radically increases participation in waterborne sports. Understandably, but mistakenly, sailing is perceived as an exclusive activity for the well-off; in fact, the cost of active membership in the local club is less than playing organised football.

KSP will break down barriers and provide training, recreational and personal growth opportunities for all.

The project will have lasting value and, by virtue of exceptional community support and the quality of life chances it will create, is well prepared to compete for grant funding from organisations such as Sport Scotland, National Lottery and the Armed Forces Community Covenant. Argyll and Bute TSI are advising on sourcing funds and processing applications; RYAS, who regularly act as advisors for the major funding providers, are working closely with Blue Sea Consulting and KSP to ensure that all the benefits of the project are fully represented.

The Consultants have been impressed at the level of community support for the project, the commitment to see it delivered and an appreciation of implementation realities as well as benefits. This solid foundation stands in contrast to other projects driven by a few well-intended individuals with insufficient community buy-in in the early stages. In the case of KSP there is a clear appreciation of the project by the Seasports Partners, the Council, Agencies, local politicians, Education, Businesses, Groups and potential funders, and execution risks are well understood.

While the founding partners are naturally focused on their own locality, KSP has potential as a valuable pilot project that could be replicated in other parts of Scotland. As a measure against national ambitions the project contributes to all five of the headline Scottish Government ambitions of the National Performance Framework and at least twelve out of the nineteen National Outcomes.

The Project Partners and supporters are as follows:

Organisation	Key Contact	Members	Nature of Operation	Role in Seasports
Campbeltown Sailing Club	Campbell Fox	65	Sailing Club run for members with RYA training and club moorings	Project co-ordinator
Sea Cadets	Donnie Cameron Grieg Walker	18 + Officers	Sea Cadets take young people afloat and on to the sea, learning to sail and to do adventure training, all on a naval theme (theory and practical)	Partner/ Participation
Kintyre Canoe Club	Sid Gallagher	35	The club offers a safe learning environment following the British Canoe Union curriculum and awards system. It operates from CSC	Partner/ Participation
Dalintober Beach Regeneration Group	Jamie MacLean	50 + 1000 Facebook Followers	The Beach Group will centre activities around the new facility and continue to regenerate the beach area	Partner/ Participation
RYA Scotland	Robin Nicol/ James Allan	6,000 members in Scotland	National governing body; represents sailing and motor boating users in Scotland, supports clubs/ training	Technical/ funding advice and club development. Direct link with SportsScotland.
Campbeltown Marina	Calum Lawson	54 berths	Operates the new berthing facility	Cooperate with the Seasports activities and enhance tourism.

Campbeltown Sub Aqua Club	Don Hardman	15	The club actively promotes diving and is keen to see its sport develop locally	Partner and assistance with funding promotion/ participation
Active Schools	Sharon Gillies-McCallum/ Lindsay Ramsay	All Schools	Partners with Sportscotland to provide pupils with more and higher quality opportunities to take part in sport and physical activity	Coordinators of school involvement and activities – Senior/ Primary Participation
Kintyre Youth Cafe	Mandy Robertson	150, including 60 Outreach	Seeks to improve life situations for young people and families, reduce the negative impact that the misuse of alcohol or drugs has on young people, families and the community and support young people to achieve their potential. Provides a safe supported space for young people to meet and access support.	Partner/ participation; major contributor to training 2 local young people as sailing instructors.
Machrihanish Airport Community Company	Tom Millar	Numerous local members	Development of airport for commercial and beneficial uses; charity and platform for socio-economic growth in Kintyre.	Partner
Scouts, Guides and Army Cadets	Lindsay Kenny	50+	Active Beaver, Cub and Scout Group. Addition of watersports will give added attraction and healthy outdoor activity	Participation
Southworth Development Company	Greg Sherwood	Business	Operate Hotels, Resort and Golf in the area. Aim to develop tourism.	Financial support towards operational costs
Glen Scotia Distillery	Iain McAlister	Business	Local distillery, part of Lomond Group.	Financial support towards operational costs
Royal British Legion	Alistair Kenny	Charity	A charity that supports forces veterans – local branch in Campbeltown.	Partner

▪ **Capital Expenditure**

The cost to reclaim land, demolish the clubhouse, design and build a new building, landscaping, refinish compound and purchase sailing school equipment is estimated to be circa £1.8m. The capital requirement is extensive, but the team have indications from potential funders that £1.6m out of the £1.8m pound projected budget is already achievable.

	Year -1	Year 1	Year 2	Year 3	Year 4	Year 5
Cap Ex	£1.807m			7,500		

▪ **P&L**

Operationally the projections show a small surplus after 4th year of operation and cumulative loss of £63,500 over the first six years. A 10% contingency on costs before tax, depreciation and finance have been included in the costs projections. If the contingency were to be removed the largest loss (in year minus 1) would be circa £40,000 and the cumulative 6-year profit would be circa £10,000.

	Year -1	Year 1	Year 2	Year 3	Year 4	Year 5
Profit & Loss	£50,000	£17,000	£10,000	£500	£6,000	£7,000

Losses, or marginal returns, should be viewed against likely substantial gains for the community and wider Kintyre as a whole. In this light the whole project could represent exceptional value.

▪ **Potential Community Gains**

- ✓ Nearly 350 people per year will benefit from the sailing school operation and many more from evening and club activities.
- ✓ 60% of the recipients of training are likely to come from out with the region
- ✓ Given the pattern of youth training parents could swell the tourism numbers
- ✓ Membership of the constituent clubs is expected to rise from the current level of 165 people to 325 in the course of six years
- ✓ Many local people and employees will benefit from sailing and powerboats courses locally and more from volunteer led training and activities across sailing, powerboating, canoeing, diving and much more.
- ✓ 11 Commercial courses will be available to marine based operators each year for 33 people – vital training
- ✓ Schools and community groups will benefit from increasing breadth and depth of activities
- ✓ Local organisations and visitors will have another focal point at which to meet
- ✓ Many events have the potential to be staged at the Kintyre Seaports Centre
- ✓ There will be an appreciable benefit to local tourism and the economy as a result if this project.

■ Funding

In terms of social impact and benefits to the community and the economy the project is extremely worthwhile. Many letters of support have been received, reflecting the inclusive approach by the project team, and Campbeltown Sailing Club, who are prepared to invest their entire assets into the project.

The capital requirement is substantial; however, the team have indications from informal contacts with major potential funders that the £1.8m pound projected capital budget is consistent with their guidelines and should be achievable. Two local businesses, Southworth Developments and Glen Scotia Distillery, have indicated interest in supporting the project when it is operational. Other businesses will be approached on completion of this Business Case. These early indications suggest that KSP will be self-supporting by the fourth year of operation, with a small surplus.

■ In Summary

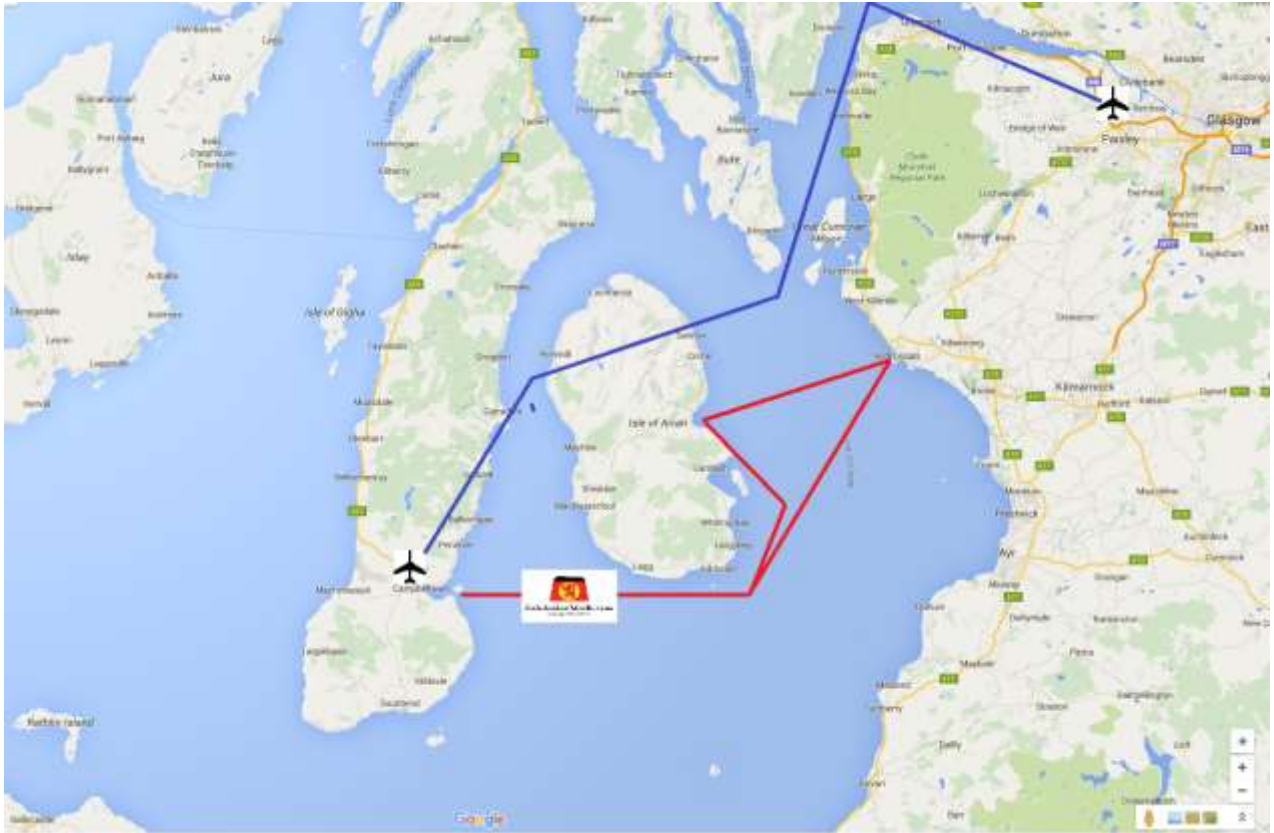
The Consultants believe, from their work to date, that the Kintyre Seaports Project is feasible, will add substantial and sustainable impact to social value in the community and could enhance tourism. This report seeks to assist the volunteer project team in visualising the implementation requirements of the project and gaining funding, by identifying a potential model for operation and suggesting initial estimates of costs and investment. The report is intended to further discussions with funders and to drive a more robust business planning and development process. Capital funders will require planning permission for the proposed new facilities and a full business case, to finalise costs, highlight the full impact of the project and to give the assurances they require to commit to the project; this work is likely to cost in the region of £80,000.

The benefits of the project are many and the risks lie mainly in funding and in overcoming the remoteness of Campbeltown in terms of attracting visiting customers, tourism and events. The business-like approach and enthusiasm from the Seaports partners bodes well for the future delivery and operation of the project. It must be said, however, that as with every community led project continual work will be required to develop and support volunteers from governance to operational level and to ensure that the current level of support from all parties to the project is continued.

Overall it is apparent that the benefits of the Kintyre Seaports Project outweigh the risks. The Consultants believe that the project team should be supported in promoting the scheme to detailed study and hopefully to delivery. It is envisaged that the proposed SCIO will be formed on completion of the study to facilitate capital funding at the earliest opportunity.

NOTE - The consultants have researched available statistics and used them where possible, but many are for a wider geographic area and therefore not fully relevant to the project and could not be used. For such an innovative project much of the estimation for activity and financial projection has had to rely on experience and discussions with similar operations for guidance; this is not unusual. In tourism terms both the Council and Argyll and the Islands Tourism Cooperative (AITC) have confirmed that detail tourism statistics are not available for Campbeltown and therefore the consultants have used what is available and consulted on a wider scale to establish likely usage patterns for the Kintyre Seaports facility.

2.0 Location and Tourism



Source – Google Maps

Campbeltown is situated about 10 miles north of the Mull of Kintyre, which itself is only 12 miles from the north coast of Northern Ireland. By road the A82, A83 and M8 link Campbeltown to Glasgow, although ferry links can shorten the driving distance, the typical driving time is just over 3hrs. The drive from Glasgow takes visitors through some of Scotland’s best scenery, including Loch Lomond, The Rest and Be Thankful, Loch Long and Loch Fyne and through towns such as Inveraray, Lochgilphead and Tarbert. It is a scenic route and one that can be enjoyed and appreciated many times over. There is no doubting that Campbeltown is remote and this can be a disadvantage, however communications have improved immensely over the years and as a tourist destination it has definite merits.

The town is on a tourist trail that includes The Kintyre Peninsula, The Islands, Tarbert, Lochgilphead, Inveraray, The Crinan Canal, Oban and northwards. Visitors to this region can also enjoy easy ferry links to Gigha, Arran, Jura and Islay.

3.0 Introduction and Background

Campbeltown has a strong maritime heritage. In the 1841 census nearly two hundred people were directly employed in maritime activities including fishing and commercial shipping. Marine income was twenty percent of Campbeltown's income and the town relied heavily on coastal shipping to support the textile, distilling and farming economy. In 1840, 971 merchant vessels entered Campbeltown for the import of raw material and supplies and for the export of whisky, fish, livestock, potatoes and much more. Campbeltown Shipyard built and repaired vessels at the Trench Point yard from 1877 to 1980; Campbeltown boats were, and still are, highly regarded. The armed forces, particularly the Navy, have had numerous connections with the Loch over the years but that is now history and the military has no continuous presence in the area. Over time industry in Campbeltown reduced, the fishing industry suffered many difficulties and employment became difficult as the traditional industries declined. Increasingly over the years the population of the town has declined as employment opportunities decreased.

More recently through initiatives by the Council and the Agencies, resurgence of the whisky industry, growth in tourism and some recovery in fishing, Campbeltown is regenerating and community pride is being restored. Unfortunately, in common with the majority of Argyll and Bute population levels are still in decline.

The community understands that it has a role to play in making the town somewhere that is more vibrant, attractive to reside in and one that, to an extent, seeks to address local issues itself. The new project, *Kintyre Seasports*, is one scheme that seeks to address maritime connections, healthy activity, youth interest and education through co-operation with a number of community groups, companies and the Public Sector.

Campbeltown Sailing Club, the lead organisation, Campbeltown Sea Cadets, the Diving Club, the Canoe Club, The Kintyre Youth Cafe and Dalintober Beach Regeneration Group and Active Schools are co-operating on a project to develop a community water sports operation that would see the Sailing Club developing new premises, the Dalintober Beach being brought into active use and better premises provided for the uses of the local Sea Cadets and other groups. The combined project, Kintyre Seasports, would create opportunities to provide sea sports facilities, equipment and training for young people, families and adults in South Kintyre. Further, the improved and redeveloped sailing and marine activity facilities would provide opportunities for Tourists, Schools, Groups and Associations to get afloat and to attract national events. The project has the written support of Campbeltown Grammar School, Local Councillors, the local MP, MACC, Active Schools, the Marina and other bodies and enjoys wide public support (see appendices for copies of the letters). Indications of ongoing commercial sponsorship have been received from Southworth Developments and Glen Scotia Distillery, with others in continuing discussion. Much more than developing the sailing club's role in the community the Seasports project has the potential to assist in community development by giving all walks of life a chance to develop skills in a healthy and active manner and ultimately train for leadership or working with marine tourism, light commercial marine activities or boating. The Kintyre Youth Café, a notable success in its own right, re-enforces the value of the project, the additional level of activities that it would create for the youth of Campbeltown and believes it is also likely to bring a further dimension in the ability to access funding. Discussions with the Duke of Edinburgh Awards Scheme indicate that they would fully support the project and is something they would like to see working with them. They have asked to be kept updated on progress.

The proposal has been discussed with numerous potential stakeholders, companies, the Council and Argyll and Bute Councillors and has received unanimous support. Further early discussions with potential funding organisations has indicated that funds could be available to meet the substantial capital requirements of the project.

The Royal Yachting Association Scotland have confirmed their support for the project and believes it has real purpose in developing both community, youth and sailing club aims. It has given considerable advice and support to the project and has identified potential for the development of a nationally recognised training centre in the area. As SportsScotland is a major funder of RYAS their support and acknowledgement is of considerable significance in raising project funding. As a national governing body RYAS are regularly consulted by other funding providers such as the Big Lottery.

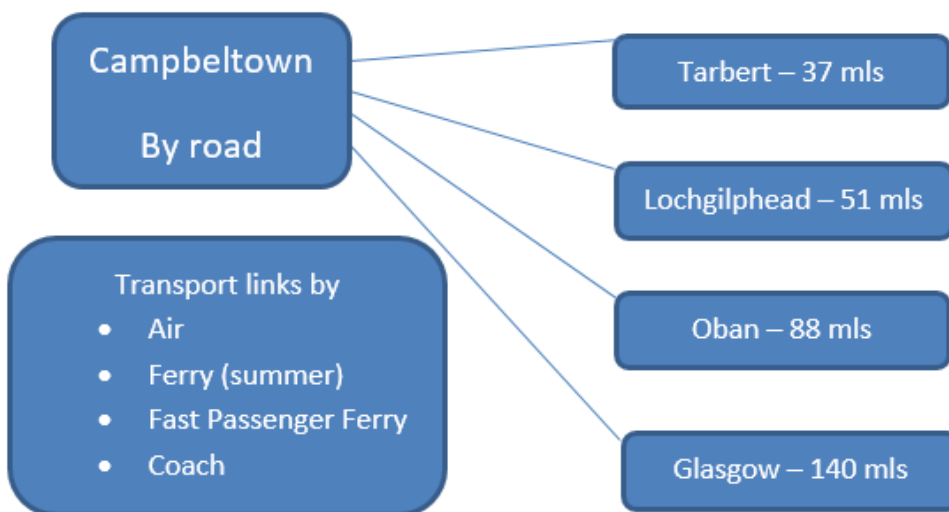
The sailing club's current buildings are old and require either extensive refurbishment or redevelopment and the sailing club's committee consider that this presents an opportunity to think creatively and assist in getting a wider demographic afloat to bring real benefits to the local community. The sailing club own their building and the land around it and also own a number of moorings which are the subject of a Crown Lease and have agreed, at the appropriate time, to put the assets into the project funding package.

In summary this exciting project, which has enormous local and regional support, has the potential to bring the community together, around a marine focus, and ensure that there is yet another reason for people to choose to remain, relocate or visit Campbeltown.

This initial business case document sets out to study the feasibility of the project, the likely funding requirement and how Kintyre Seasports may be delivered and managed. It is not the definitive document for the project and a full business case would be required to justify and define details of the delivery in order to support any funding applications.

Interesting Population Statistics

Campbeltown Headlines	Population – 6,500 - 2011	Declined 4.9% in 10yrs (2001/2011)		
Age profile	<u>0-14</u> 15.5%	<u>15-25</u> 11.1%	<u>45-64</u> 20.9%	<u>65+</u> 24.0%
Unemployed out of work (2013)	510 people claiming unemployment benefits	13.9% of working age population (2.6% higher than regional average)		
Economically Active population	Between 16-74	69% (1% down on the regional average)		
Pupils in Secondary Education 2014/15	420 (down from 521 in 2011)	Range of sports and other extra-curricular activities including DoE, but do not include water sports	Achieving a very good standard of education and new school under construction	



A quick scan of trip advisor shows why people come to the area :(click on the links for full information)

https://www.tripadvisor.co.uk/Attraction_Review-g186497-d213855-Reviews-Kintyre_Peninsula-Argyll_and_Bute_Scotland.html

https://www.tripadvisor.co.uk/Attraction_Review-g186497-d213576-Reviews-or10-Mull_of_Kintyre-Argyll_and_Bute_Scotland.html#REVIEWS

A few quotes from Trip Advisor for Campbeltown and the Kintyre Peninsula

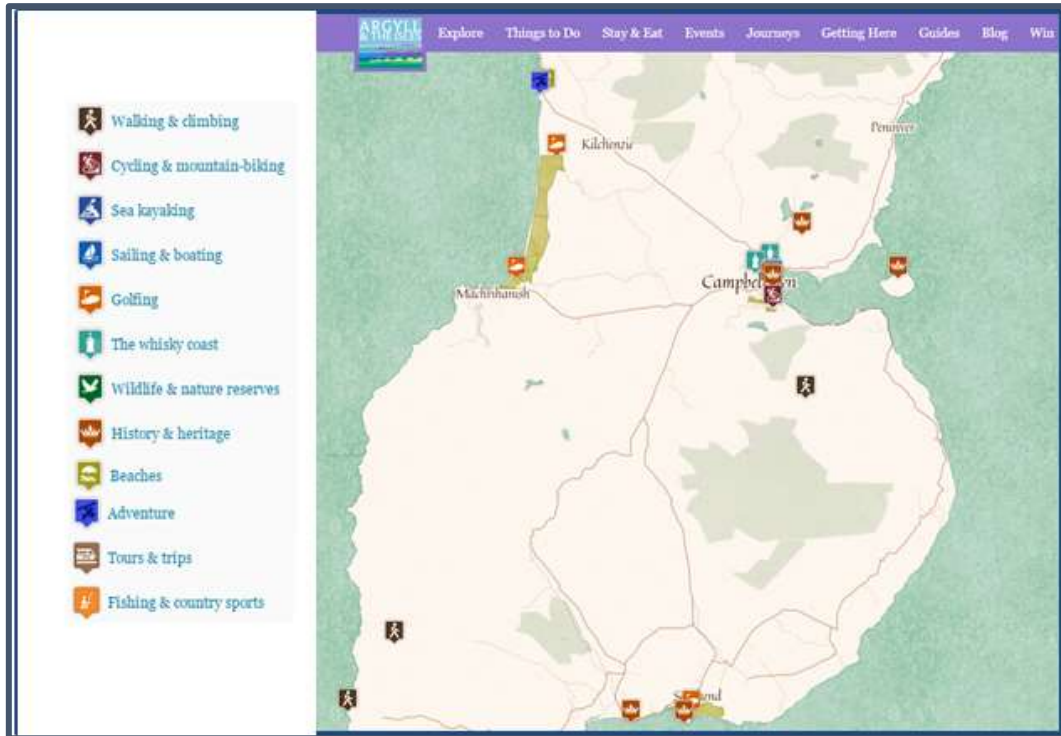
- “Kintyre Way a lot nicer than the Great Glen”
- “So much variety”
- “Simply wonderful”
- “Lovely, well worth a visit”
- “First visit to Mull of Kintyre and it was a lovely discovery. I would absolutely recommend a visit to this area of Scotland”
- “Springbank Distillery – one of the best reasons to visit Campbeltown”
- “Glen Scotia Distillery – A Must Visit”
- “Mull of Kintyre Sea Tours – Excellent fun with brilliant scenery”
- “West Coast Motors – kings of the road”

Tourism is a key economic driver for Argyll and the Isles and this is reflected in the fact that the Argyll and the Isles Tourism Cooperative, formed in 2012, has over 750 members who work to promote their businesses and activities in the region. In 2011 a Visit Scotland visitor survey showed that 1.8 million visitors travelled to the Argyll and the Isles, spending £392 million and staying an average of 4.2 days. 87% of those that visited would recommend the region and 46% were planning on returning within 5 years. 14% of the visitors were in the area for activity based holidays (2,500 people), this is rising year on year, with Scotland being seen as a great destination for active holidays and short breaks.

In recognition of the further potential of active holidays and active breaks, Argyll and the Islands Tourism Cooperative have embarked on a high profile promotion of the Argyll and the Islands, including Kintyre, to highlight exactly how great a destination it is for active people and families.

Whilst the Seaports project is not wholly founded around visiting clientele, tourism will be part of what provides much valuable revenue and for this reason it should strive to be a partner in the wider tourism economy of Kintyre and wider Argyll and actively promote itself within the active holiday sector.

The Explore Argyll website lists the area as having a tremendous range of activities:



Source – <http://www.exploreargyll.co.uk/map.php>

The range of accommodation providers that could support the training and activities of the Seaports Centre is extensive and already very popular with visitors. Visit Scotland alone lists 29 accommodation providers from camping pitches to 4 star hotels (a non-exhaustive list).

- Camping, Caravans and Lodges – 4
- Self-Catering - 10
- B&B & Guesthouses - 8
- Hostel - 1
- Hotels – 6

The project team acknowledges that Campbeltown’s location on the Kintyre Peninsula could be considered remote in terms of attracting visits but whilst this is an acknowledged disadvantage there are a number of connections that could support the growth of a new marine venture in the area.

Namely:

1. Cheap and regular air flights to Glasgow
Typical cost – approximately £25.00 to £45.00 each way plus luggage

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Campbeltown						
BE6843	08:00	08:45	M T W T F . . .	-	-	08-Jan-16 - 25-Mar-16
BE6843	08:00	08:45	M T W T F . . .	-	-	26-Oct-15 - 24-Dec-15
BE6843	08:00	08:45	M T W T	-	-	28-Dec-15 - 07-Jan-16
BE6843	08:50	09:35	M T W T F . . .	-	-	16-Oct-15 - 23-Oct-15
BE6847	16:25	17:10	M T W T F . . .	-	-	16-Oct-15 - 24-Dec-15
BE6847	16:25	17:10	M T W T	-	-	28-Dec-15 - 07-Jan-16
BE6847	16:25	17:10	M T W T F . . .	-	-	08-Jan-16 - 25-Mar-16
Glasgow Intl.						
Campbeltown						
BE6844	09:05	09:45	M T W T F . . .	-	-	26-Oct-15 - 24-Dec-15
BE6844	09:05	09:45	M T W T F . . .	-	-	08-Jan-16 - 25-Mar-16
BE6844	09:05	09:45	M T W T	-	-	28-Dec-15 - 07-Jan-16
BE6844	09:55	10:35	M T W T F . . .	-	-	16-Oct-15 - 23-Oct-15
BE6848	17:30	18:10	M T W T	-	-	28-Dec-15 - 07-Jan-16
BE6848	17:30	18:10	M T W T F . . .	-	-	16-Oct-15 - 24-Dec-15
BE6848	17:30	18:10	M T W T F . . .	-	-	08-Jan-16 - 25-Mar-16

Flybe – timetable (of June 2016)

- Seasonal regular Ferry Links – Ardrossan to Campbeltown 28th April to 25th September
Typical cost – Car + family of 4 - £63.50 Car, Boat + Family 4 - £104.00 one-way

Outbound from Ardrossan	Depart	Arrive – Campbeltown
Thursday	18.40	21.20
Friday	18.40	21.20
Saturday	Nil	Nil
Sunday	13.50	16.30
Outbound from Campbeltown	Depart	Arrive - Ardrossan
Friday	07.35	10.35
Saturday	07.00	10.40
Sunday	16.55	19.35

Caledonian MacBrayne Ferry Timetable 2016

In 2015 the total number of passengers who arrived at Campbeltown by Ferry was 10,714 in total with 5,786 (54%) arriving out of holiday periods and 4,928 (46%) arriving during school holidays. July and August were the most popular months for ferry travel and in total 6,500 trips were solely related to tourist activities.

3. Scenic road routes leading to Glasgow or wider West Coast by car or coach
See - <http://www.westcoastmotors.co.uk/timetables/>
4. RIB taxis – Campbeltown to Ballycastle (NI) - £80-00 return, trips to Islay, Whisky tours and Private Charter.
See - <http://www.kintyreexpress.com/ferry%20service.html>
5. Marina - Unusually the marina could be considered as a means of delivering inward custom for the project. In the period June 2015 to May 2016 the marina has welcomed 883 visiting boats and nearly 3,000 crew members. These are marine related visitors some of whom could be encouraged to use the Kintyre Seasports facility.

4.0 Key Considerations

4.1 Policy

The Kintyre Seasports project is a very progressive move by the sailing club and its partners and represents a lot of hard work by a number of people to get to the current stage. It has the potential to bring benefits to many sectors of Campbeltown’s youth, the wider community, add to the tourism economy and enhance the activities of the water based clubs in Campbeltown.

In policy terms the Kintyre Seasports Project meets many of the key objectives and outcomes of the Governments National Performance Framework (a strategy which sets out the governments aims for a clear vision for Scotland with broad measures of national wellbeing covering a range of economic, health, social and environmental indicators and targets)

<http://www.gov.scot/Resource/0049/00497339.pdf>

National Performance Framework –

NPF Objective	Outcomes	Contributions
Wealthier and Fairer	Enable businesses and people to increase their wealth and more people to share fairly in that wealth	The Project will engage more people in marine activity, increase tourism and improve opportunities.
Smarter	Expand opportunities for Scots to succeed from nurture through to lifelong learning ensuring higher and more widely shared achievements.	The project will offer an opportunity to learn marine skills, leadership, confidence and independence.
Healthier	Help people to sustain and improve their health, especially in disadvantaged communities, ensuring better, local and faster access to health care.	By encouraging young people, their families and disadvantaged individuals to take part in active sports, the project will encourage fitness and healthy living

Safer and Stronger	Help local communities to flourish, becoming stronger, safer place to live, offering improved opportunities and a better quality of life.	The project will strengthen links between community organisations, improve life chances in a deprived area and provide a sense of achievement for participants.
Greener	Improve Scotland's natural and built environment and the sustainable use and enjoyment of it.	Exposure to the natural environment is a key element of the project and will propagate appreciation of Kintyre's outstanding natural assets.

19 National Outcomes –

Of the nineteen national outcomes the Seaports projects aligns with twelve:

- ✓ Improve Scotland's natural and built environment and the sustainable use and enjoyment of it.
 - We live in a Scotland that is the most attractive place for doing business in Europe
- ✓ We realise our full economic potential with more and better employment opportunities for our people
- ✓ We are better educated, more skilled and more successful, renowned for our research and innovation
- ✓ Our young people are successful learners, confident individuals, effective contributors and responsible citizens
- ✓ Our children have the best start in life and are ready to succeed
- ✓ We live longer, healthier lives
- ✓ We have tackled the significant inequalities in Scottish society
- ✓ We have improved the life chances for children, young people and families at risk
- ✓ We live our lives safe from crime, disorder and danger
 - We live in well-designed, sustainable places where we are able to access the amenities and services we need
- ✓ We have strong, resilient and supportive communities where people take responsibility for their own actions and how they affect others
- ✓ We value and enjoy our built and natural environment and protect it and enhance it for future generations
 - We take pride in a strong, fair and inclusive national identity
 - We reduce the local and global environmental impact of our consumption and production
 - Our people are able to maintain their independence as they get older and are able to access appropriate support when they need it
- ✓ Our public services are high quality, continually improving, efficient and responsive to local people's needs

The Framework goes on to provide over 50 measurable achievements to which, directly or indirectly, the project shows positive contributions to at least 20%.

In meeting the ambitions of such frameworks and strategies the project places itself in a good position to gain support from the Public sector and in justifying its value to both the local community and wider benefits for Scotland when applying grant and sponsorship. In reading the extracts from the NPF it is clear just how much benefit the project can bring to the people of Campbeltown

Argyll and Bute Local Plan and Potential Planning Issues – South Kintyre 10

The consultants have reviewed the local plan for the likely development area on-line. The area is designated a Settlement Zone and the likely site also lies within a Special Built Environment Area (SBEA) where Policy LPENV14 states a presumption against development that does not enhance the character or appearance or setting of a SBEA. New development within these areas must be of the highest quality, respect and enhance the architectural and other special qualities that give rise to their designation.

NORTH SHORE STREET, DALINTOBER QUAY - LB43126 - Dalintober Pier is B Listed and noted as –“a nearly 19th century pier, with later alterations and repairs. Pier with curved S end and slipway at N end. Squared, roughly coursed rubble with more regular coping blocks to main pier. Random rubble slipway at N end with vertical rubble to battered side. Rubble coped harl-pointed rubble walls flanking to shore. As a B Listed structure permission is likely to be required from Historic Environment Scotland before any alterations, extensions or repairs are carried out”.

In terms of the SBEA designation for the development area it will be necessary for architects and designers to consult with the Planners to ascertain what sort of building can be built, its extent, finishes and size. The intention to construct a new building is based on the lack of capacity of the existing sailing club and the view of RYA Scotland that international class facilities are required to sustain training throughput and attract competitive events. Hence the demolition of the existing club building and its replacement with a better quality building is considered an improvement. Consultation will be required at an early stage with the Community Planning group, to ensure that the building design is empathetic with the area and built environment.

Given that the proposed development will be on reclaimed land the design team will need to consult with Marine Scotland and obtain the relevant licences. During a desktop search the consultants found no special environmental listings for Dalintober beach.

4.2 Community Partnership

In the July 2015 publication – “HIE Lights Special – Strengthening Communities”, HIE’s Director of Strengthening Communities, Rachael McCormack, stated the following:

“The Highlands and Islands has long been recognised as a region in which communities take responsibility for shaping their future, where an innovative social enterprise sector helps tackle inequality, where community asset ownership and service delivery are well established and supported, and where unique cultural assets, including Gaelic, play a significant role in creating vibrant, strong communities.

Supporting communities to develop and grow is a distinctive component of HIE’s remit, and contributes directly to addressing the geographical inequalities that can affect the most remote and rural parts of our region.

Our approach to strengthening communities is threefold. We...

- invest in building community capacity and confidence,*
- empower communities to acquire, manage and exploit assets for community benefit, and*
- enable sustainable growth in the social economy through strong social enterprises.”*

Such a statement from Highland and the Islands Enterprise shows the importance to rural and remote Scotland of empowering the community and supporting community groups in their efforts to strengthen their own communities. Kintyre Seaports is just such a project, the breadth and depth of community involvement being shown clearly by the table on pages 5 & 6 of this document.

The partners all appreciate the tremendous opportunities afforded by the project and the initial work by the Sailing Club to establish a project that will afford many organisations the opportunity to expand both their membership and the extent of their activities, raising more money and giving the population of Campbeltown and its visitors a chance to experience the benefits of marine activities from a top class, purpose designed facility.

In discussions with each organisation the following ambitions for growth have been agreed:

Sailing Club – 65 members rising to 150 members

Dive Club - 15 members rising to 40 members

Dalintober Beach Group - 50 members rising to 75 members

Canoe Club – 35 members rising to 60 members

The belief that Kintyre Seaports can make a difference to both youth activity and the lives of the less advantaged is inherent within the philosophy of the project and the partners and it is apparent that it is this factor that has encouraged differing groups to work together for a common philanthropic aim, whilst also improving the “offer” for their own groups and organisation

4.3 Company Format and Organisational Structure

The project team have spoken with a number of organisations and held discussions with the Royal Yachting Association Scotland and TSI (Argyll and Bute) to ascertain the best vehicle for operating the project and affording the partners protection of limited liability.

Options were discussed along the following legal structures for membership organisations:

The possible legal structures for a membership organisation would be:

- a voluntary association
- a company limited by guarantee
- Scottish Charitable Incorporated Organisation (SCIO)

The most appropriate route appears to be to form a SCIO (Scottish Charitable Incorporated Organisation) –

A Scottish Charitable Incorporated Organisation is a legal structure which has been purpose built for the charity sector in Scotland. It provides limited liability and a separate legal identity to organisations that want to become charities but do not want or need the complex structure of company law. This means that even the smallest charity can access the benefits of incorporation – including limited liability and legal capacity. It is important to note that the SCIO model is only available if the organisation is eligible for charitable status. At a practical level this means that the terms of the objects clause will have to incorporate terminology which can be accepted as representing valid charitable objects by the Office of the Scottish Charity Regulator (OSCR). There will also be a need to satisfy OSCR that the ‘public benefit’ test is satisfied. * (source – see link below)

<http://www.scvo.org.uk/setting-up-a-charity/decide-on-a-structure/scottish-charitable-incorporated-organisation/>

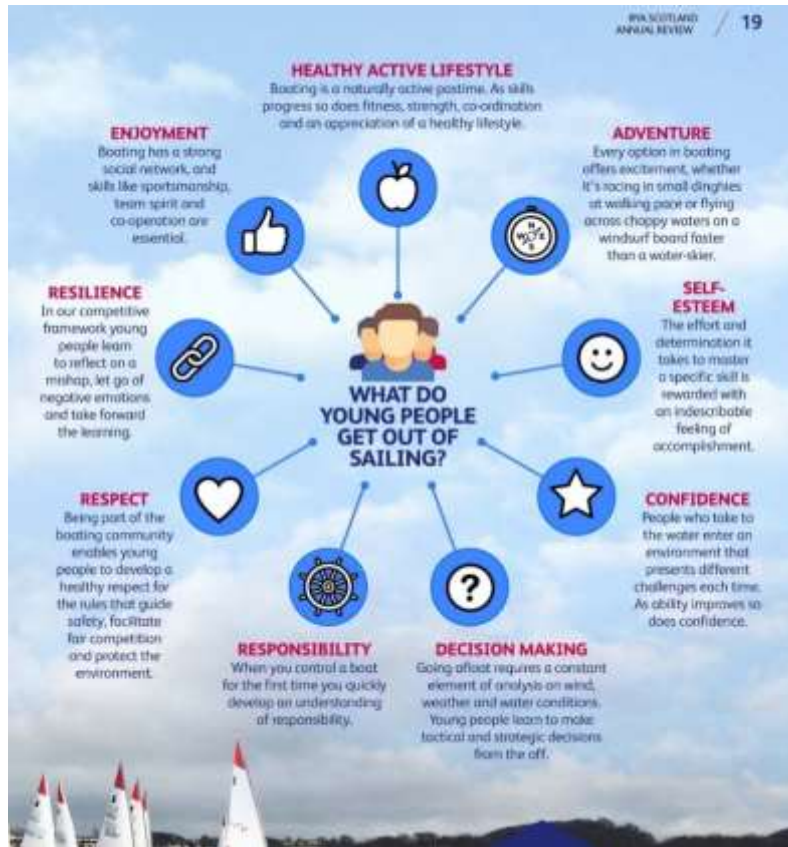
Toward Sailing Club, also in Argyll and Bute is an example of a membership club setting up a SCIO in the marine sector and discussions appear to support that this an appropriate model for Seasports to follow.

- The SCIO will be run by the partners and will employ any full time employees, while maximising input from volunteers and members of the SCIO and its affiliates.
- At an early stage it will be necessary to write a Constitution that will be acceptable to the Scottish Charity Regulator
- The Organisation will seek to maximise revenue through the following sources and seek to make the project sustainable in the long term:
 - Membership and Subscription
 - Revenue from Training Courses (requiring the organisation to be a recognised training establishment for the various activities)
 - Revenue from Events (such as sailing, canoeing and open water swimming competitions, regattas and visits by feature vessels – e.g. Tall Ships)
 - Fund raising events by partners and affiliates
 - Hiring out the establishment for functions and meetings
 - Café revenue (or lease income)
 - Sponsorship from local corporate concerns

It would seek to attract sponsorship and sustainable external funding for any shortfall which is identified from operating budgets that would be carefully forecast, managed and revisited to ensure targets are being met.

- The aims for the organisation would be:
 - To run a high quality community operation which is financially sustainable
 - To provide activities and courses which will make water sports easily available to disadvantaged sectors of the community and assist in the development of youth and adult populations that are healthier, more skilled, more confident and more integrated into the community. Many of these courses will allow people to experience getting afloat for the first time.
 - To develop and run courses that will lead to the upskilling of youth and lead to better future prospects for employment by having relevant marine based qualifications, more confidence and an awareness of leadership skills; two local 16-year olds have already been trained as sailing instructors
 - To contribute to the growth of tourism through the availability of day and week-long courses in marine activities and by attracting competitive events, regattas and developing community fun or interest events. Courses can be tailored to general visitors, the youth sector or active tourists.
 - To offer commercial training in marine and marine safety related activities to Argyll and West Coast based companies
 - To develop a community culture for maintaining active marine sports in and around Campbeltown on an ongoing basis
 - To actively promote local businesses to visitors and visiting organisations. The Campbeltown Marina management, in particular, see a good relationship with the project as one that could develop additional activities and visitors for them and allow the operation to further integrate with the town.

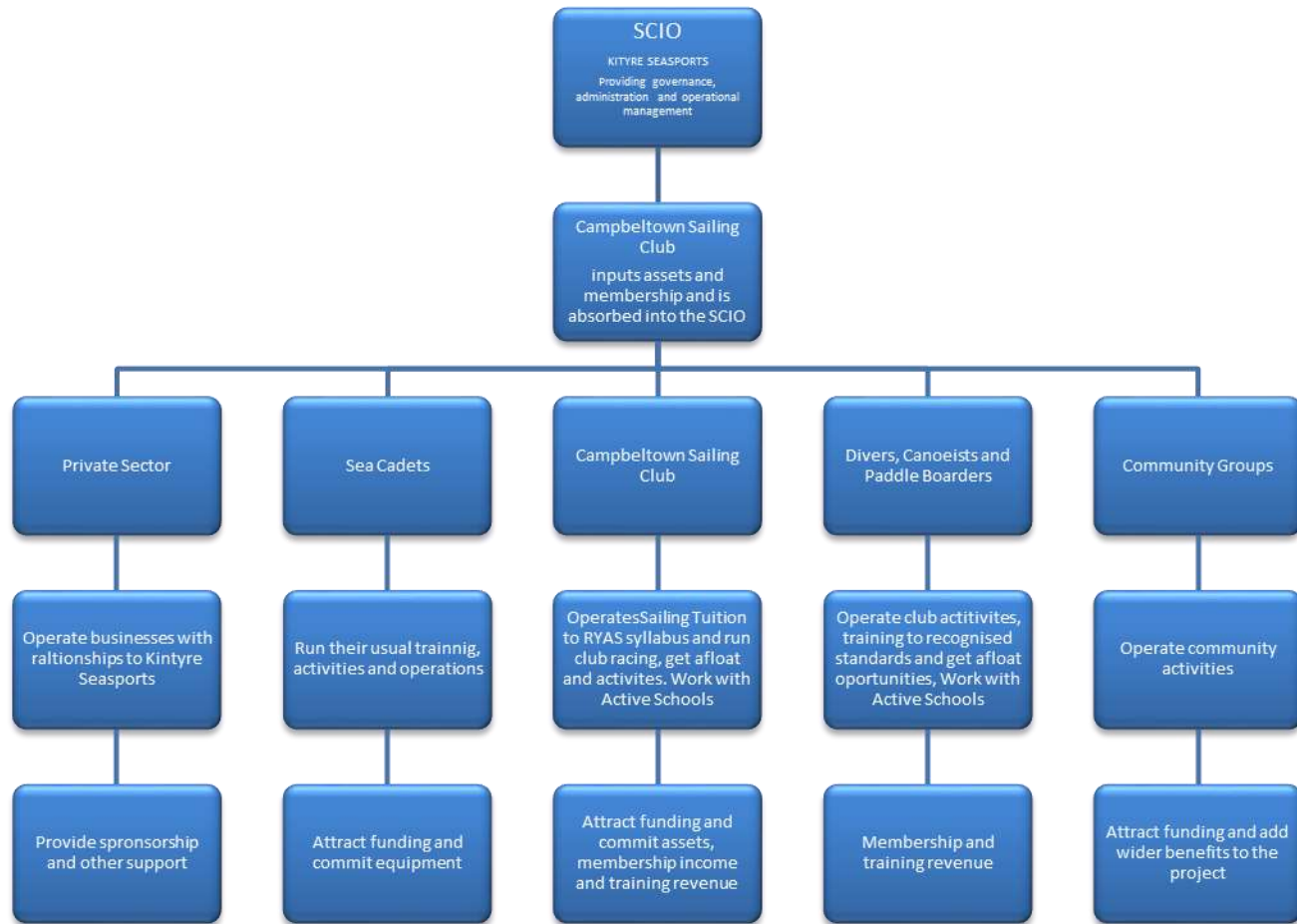
- The RYAS have produced an interesting graphic, in their Strategic Plan, to highlight the benefits of sailing to youths and this reflects many of the aims of the project (see next page)



The organisation could be structured per the diagram on the next page with a board of trustees providing governance, administrative and management input supporting membership and operational and sailing school staff. The Sailing Club are, as highlighted elsewhere in this document, prepared to input the assets of the club in terms of the land and buildings, moorings and boats/ equipment.

Each Club/ Association will operate their own activities and will pay an agreed fee into the operation of the SCIO. They will also assist in the operation and fund raising of the project to ensure financial sustainability.

All the partners will be governed by the Constitution of the SCIO.



Organogram

for

the

Kintyre

Seasports

4.4 Funding

The capital costs of the project are estimated at this early stage to be approximate £1.8m, including a 10% contingency, using best estimates and input from architects. As there are no drawings to work from the Consultants have used a basic plan produced by Tom Grant Architects and an estimated foot print of five hundred square metres for the building and 0.75 acre of reclaimed land. This figure does not allow for the cost of a full business case to study the full design and planning permission.

The consultants have requested a fee estimate for a full business case from the team that carried out the FBC for the marina – Fairhurst Consulting Engineers, working with JRA Architects (who designed the Tobermory Services Building), R Ogg (Quantity Surveyors), GVA (Hospitality and Tourism Team) and Blue Sea Consulting LLP. An estimate to carry out engineering feasibility, scoping and design, building design, planning consultation and application, financial planning (5yrs in detail), consultation with partners, community and potential funders and a tourism and economic impact study would be £61,000 excluding external survey work, environmental impact study (if required), planning and licence fees, expenses and VAT. Indications from Structural Soils (a company used to working in the Campbeltown) suggest a ground investigation study between high and low water, for the area indicated, using land based plant is likely to cost circa £12,000 to £15,000 excluding VAT but including laboratory work and an engineer in attendance. The board should use and estimate of £81,000 ex VAT for a full business case for funding purposes.

The Consultants have proposed a financial model for the guidance of the project team and as a basis for estimating funding requirements. The figures are best estimates and based on experience of similar projects and a small market survey. The estimates and projections have been used to progress calculations and the figures show a cumulative operating deficit of approximately £75,000 over the first four years and a small operating surplus thereafter.

The project partners have been in contact with all the parties below and have serious indications that a large amount of the funding could be achieved. Draft figures and project brief have been sent HIE to open discussions on possible shortfall funding for the balance of the capital expenditure.

Potential external funding sources have been currently identified as;

- a) Armed Forces Community Covenant (capex and some opex)
- b) Sportscotland
- c) National Lottery
- d) CHORD Fund
- e) Campbeltown Sailing Club's own assets (to be externally valued)
- f) Corporate Sponsorship – 2 companies have offered opex support.
- g) Community Development Funds (Other community and social based funding sources have also to be investigated)
- h) Historic Scotland – in connection with Dalintober Pier
- i) Robertson Trust

4.5 Comparators and SWOT Analysis

The consultants have looked at the likely comparators for similar operations and direct comparisons are few and far between. When considering social enterprises of this nature it is reasonable to say that no two organisations are the same and therefore competition or displacement are not the key factors in this report. However, there is a lot to be learned by creating shared experience and learning sessions with many of these operations and the consultants recommend that this be done during the detailed development stage of the Kintyre Seasports Project. It has been difficult to get statistics and operational numbers for the various operations and further requests have been sent out to various clubs and centres

The RYA have some interesting high level statistics which indicate that there is strength in the market:

- RYAS Membership in 2016 has increased by 9% since 2014 – to around 6,500 members in Scotland
- 174 new sailors were coached at National Level
- Attendance at RYA Class Academies grew by 27%
- There are 8 Scottish Members of Team GB Sailing, 17 Youth Members and 7 in British Windsurfers squad – which shows the quality of our sailors and the potential for training to a high level.

RYA Scotland are working regularly with Sailing Clubs to help them to develop better facilities, a broader range of activities and to become more sustainable. The trend in many clubs is for a decline in membership but with RYAS support a number of clubs are turning the tide. For example, working with RYA, its own members, Scottish Sailing Institute and the Council, Largs Sailing Club has increased its membership from 350 to 450, its cadet membership to over 100. Its training arm the LSTA, trains some 140 children and adults using volunteer instructors each year. Despite competition from the whole of the UK the club continues to attract National and World Class Events. Its very successful Cumbraes Regatta is thriving and has just secured new sponsorship from CalMac. Through its members own efforts the number of boats racing regularly on Wednesdays and Sundays has risen from around 12 four years ago to 20/25, with a much increased youth turnout. Largs Sailing Club has also developed relationships with a canoe club and coastal rowers, who now also use the club regularly.

4.5.1 Other Comparators

- **Tighnabruaich Sailing School** is the nearest sailing school and enquiries with them confirm that they are extremely busy, fully booked for the summer, and concentrate solely on dinghy sailing and powerboat tuition. As such any successful training activities at Campbeltown are unlikely to compete with TSS.
Website - www.tssargyll.co.uk
- **Tarbert Loch Fyne Sailing Club** is the nearest sailing club and whilst it is very active in coaching and training, with some success in the RYA squad system, it is not a commercial training facility, nor does it offer wider watersports activities or have permanent staff. They run regular racing, regattas and look to attract open meetings and RYA Squad events. They

are also involved in the highly popular Scottish Series event. Sailing club membership tends to be quite local and therefore Campbeltown SC's planned expansion should not adversely affect the activities at Tarbert, or vice-versa.

Website - www.tarbertfyc.org.uk

- **Toward Sailing Club** is a SCIO and operates with no permanent staff. The Seaports team have been in touch with Toward SC to learn more about the operation of a SCIO. The club operates as a recognised RYA training establishment and offer regular training to all who wish to book at all levels of the RYA dinghy sailing. As part of their ambition to become a more attractive watersports club they started a Kayaking section in 2015 and now offer coaching (including pool sessions) and paddling trips. They host their own regattas and evening racing. Pool sessions for Kayaks could be something to be investigated for Seaports.

Website - www.towardsc.org.uk

- **Stramash** is a large social enterprise company with a staff of 28 shared between operations in Oban, Fort William and Elgin. They are an organisation which has huge experience of youth and adult training and one that the project should engage further with. The range of courses they offer is very wide ranging and focus on learning and development through outdoor pursuits.

The vision of Stramash is:

- *Through the outdoors we want to see people grow and develop, realising their full potential.*

The mission of Stramash is:

- *We change lives for the good through the outdoors.*

The aims of Stramash are to:

- *Facilitate the personal and social development of people so they can reach their full potential in life.*
- *Create an understanding and appreciation of the outdoors, helping nurture stewardship of the environment.*

They do not have a fixed base and are a very mobile organisation offering numerous courses, activities and styles of training:

- Adventure Days
- Youth Courses
- Adult Courses
- Outdoor Nurseries
- Schools and Groups
- Adventure Clubs – ceased for funding reasons
- Team Development

In particular they have a very detailed brochure on Outdoor Learning and Activity Programmes for Schools which the Seaports projects would be well advised to discuss with their team.

The activities covered are very wide ranging:

Abseiling, Adventure Walks, Archery
Bog trotting, Bush-craft
Canoeing, Climbing and Coasteering
Gorge and Hill Walking
Kayaking
Mountain Biking, Mountaineering and Multi-activity courses
Orienteering
Dinghy Sailing and Yacht Sailing, Surfing, Swimming

More from their Website - www.stramash.org.uk

- **Longcraig Scout Centre** RYAS suggested that the consultants look at this operation as it is extremely popular and effective recognised RYA training centre. The centre is run entirely by volunteers and supported by the administration team of South East Scotland Scouting. It can accommodate courses for up to 40 people at weekends and 25 on evening sessions. The centre is primarily run for Scotus and Guides and offers a wide range of activities including the full RYA dinghy syllabus. In order to support the activities of the centre courses are offered externally to adults and children at a charge. Being close to Edinburgh the centre does not suffer the remoteness of the Campbeltown and whilst lessons can be learnt from the operation, being part of the Scouting network makes comparisons with proposals for the Seaspports Project quite difficult.
Website - sesscouts.org.uk/our-centres/longcraig
- **Cumrae Water Sports Centre** -Run and funded by Sport Scotland; the centre is an exemplar of sailing and watersports training, fully recognised by the RYA and British Canoe. It offers courses on Dinghy Sailing, Yacht, Powerboating, Canoeing and Windsurfing. It is run on a very commercial basis and has extensive onshore facilities including accommodation, food and beverage, a gym, small marina area and slipways
The Centre has a large range of courses including summer clubs for teens to try various sports and works with universities and colleges to include instruction that will integrate with sports and leisure related curricula. It conducts a significant amount of instructor and coaching courses and works with the RYA on its Youth Sailing Programme to develop racing talent in Olympic classes.
The scale of this operation is such that although always worth speaking to the centre staff there is little of major relevance to the Seaspports Project other than how they work with the education sector.
Website - www.nationalcentrecumbrae.org.uk
- **Port Edgar Watersports** is the East Coasts premier training facility and is fully RYA recognised and are a social enterprise (CIC). They offer a large range of courses in all forms of sailing, paddle sports, powerboating and even mountain biking. Again the centre aims to bring all walks of life into marine activities and to benefit from such activities. They run a number of clubs to introduce adults and children to a variety of sailing and paddle sports and offer bespoke courses for leadership development and commercial training. Whilst this is a large scale operation, their aims are similar to many of the ambitions of Kintyre

Seasports and again the consultants would recommend entering into dialogue with their principal.

Their Vision

- *Our underlying mission for the future is to create the opportunity for everyone to live a healthy lifestyle through participation in watersports.*

Their Ethos

- *Our business ethos reflects our infectious passion for watersports and aims to deliver social, environmental and economic outcomes through:*
- *Education – Apart from the obvious nautical knowledge aspects, for many people water sports can also be about self-development, confidence, overcoming personal challenges & learning life skills for the future.*
- *Social – The sailing and watersports community is well known for being friendly & welcoming; it is a place to meet people, make friends and share the experience.*
- *Creative – Watersports can take a morning to learn and a lifetime to master, inspire and be inspired by like-minded people with common goals & interests.*
- *Community – The Centre is a place for young people, adults and the elderly where experience can be shared, enjoyed and passed on. A place to become involved in at the heart of their community.*
- *Equal Opportunity – Our Centre will continue to make our services available and accessible to everyone including those with physical or mental disabilities. We will invest in the equipment and resources required to ensure this support forms a core part of our strategy.*

More details from their Website - <http://portedarwatersports.com/>

- **Pinkston Paddle Sports** is a community based charity, opened two years ago, costing £3.25m and in 2015 had over 20,000 people through its doors, since when it has expanded the canoeing and white-water centre to include a zip-line base wakeboarding facility that is leased to an independent operator. The centre predominantly serves existing paddlers, both leisure and competition, and also encourages people from throughout the central belt to give canoeing a try. It works closely with community groups in North Glasgow to bring a healthy sport to the many disadvantaged youths of the area. The Pinkston Paddle Club, sub-sector of the operations, is a charity community club aimed at encouraging youths and residents to use the facility. All the facilities at Pinkston are available to hire; which is how they help to fund the centres activities. Clubs, coaches, schools and other organisations can hire the flat water basin, the white-water course, the meeting rooms or the whole centre. Organisations like the Fire Service hire the water space for training activities.

Pinkston has a full time manager, administrator, a volunteer board of trustees and a number of volunteer helpers to run the operation. Fund raising and sponsorship is also key to making the centre sustainable.

The centre has a lot of experience in developing and growing a social enterprise operation around water sports and the Kintyre Seasports team should make

contact to learn more of how the centre came to fruition, raised the money and continues to fund itself.

Website - <http://pinkston.co.uk/>

In general terms it can be seen from the sample of comparators that the range of offerings in terms of social enterprise companies and training centres is extensive. However, the model proposed by the project team is one that has similarities to a number of organisations listed above and it seems likely that the team could glean much useful information from them.

4.5.2 Price and Membership Comparisons

As part of building the business case for the Seasports project the consultants reviewed a number of training establishments and sailing clubs to ascertain the level of course fees and membership fees being levied in Scotland. They also looked at a popular establishment in Wales as a sense check on pricing for training in the wider market.

The tables on the next page show a sample of the operations surveyed and have been used to set the pricing structure within the financial projections. When setting prices, the consultants have born in mind the remote location, but have also reflected the fact that this will be a modern purpose built facility in an area that is popular with tourists. It is believed that the pricing structure is realistic. RYA Scotland commented on the draft figures, the comments were discussed with client and CEO of RYAS and the final financial projections were amended in the light of the very useful comments.

General Comparison of Rates – Sailing and Boating Tuition (excluding accommodation)

Establishment	Youth Introduction to Sailing (5 day)	Adult Introduction to Sailing (5 day)	Taster sessions Watersports	RYA 2 day Powerboat Course	RYA Safety Boat 2day	Kayaking Introduction	Stand up Paddle Board introduction	Windsurfing 2 day
	Per person £'s inc VAT	Per person £'s inc VAT	Per person £'s inc VAT	Per person £'s inc VAT	Per person £'s inc VAT	Per person £'s inc VAT	Per person £'s inc VAT	
Tighnabruaich Sailing School	255-00	295-00	100-00 (per day 1:1)	210-00	-	-	-	-
Cumrae Watersports	260-00	287-00	155-00 (2 days)	262-00	252-00	50-00 (per day)	50-00 (per day)	185-00
Galloway Activity Centre	230-00	240-00	132-00	195-00	195-00	55-00 (per day)	55-00 (per day)	132-00
Loch Insch Watersports	192-00	219-00	66-00 (per day)	-	-	39-00 (per day – 4 people)	39-00 (per day – 4 people)	110-00
Plas Menai (Sport Wales)	370-00	370-00	-	270-00	270-00	180-00 (2 day)	-	180-00

General Comparison of Rates - Sailing Club Membership

Establishment	Single Adult	Family	Junior	Out Port	Dinghy Compound	Moorings	Comments
Largs Sailing Club	230-00	295-00	85-00	115-00	85-00	-	
Helensburgh Sailing Club	205-00	265-00	60-00	80-00	65-00	65-00	
Prestwick Sailing Club	130-00	175-00	65-00	36-00	75-00	-	
Toward Sailing Club	84-00	128-00	42-00	10-00		33-00/m plus £44-00 TCE	
Campbeltown Sailing Club	65-00	100-00					Accept visitors on the moorings

4.5.3 SWOT Analysis

It can be seen from the SWOT table below that there are many strengths and opportunities for the project and that the weaknesses are those also faced by the new marina in Campbeltown, with the exception of reliance on sponsorship, donation and volunteers. The Marina has exceeded its targets by 30%, and whilst not likely to meet finance and depreciation costs is none the less highly successful and making a valuable contribution to the town; it is likely that the Seaports project could do similarly whilst also bringing larger benefits to the wider community's lifestyle.

Strengths	Weaknesses
<ul style="list-style-type: none"> ▪ Strong project team and strong support from CSC's members ▪ Strong local and Council support ▪ RYAS recognise the project as worthy of their support. ▪ Meets Government and Local Policies ▪ Meets with requirements of Active Schools. ▪ The constituent Clubs would benefit from modern premises, enabling them to expand their operations ▪ No local provider of similar facilities ▪ Protected waters and available slipway ▪ Campbeltown has strong historic links with maritime activity, the project would reconnect the community with the sea. ▪ Recognised need for community support and wellbeing ▪ Seasonal Ferry from Ardrossan has strengthened the potential of the already strong tourism market 	<ul style="list-style-type: none"> ▪ High capital costs ▪ Reliance on tourism and commercial work to provide sufficient revenue to underpin the project – requires significant marketing effort ▪ Reliance on sponsorship and donations for ongoing sustainability. Will need strong long term relationships to be maintained. ▪ Requires on-going active support from volunteers to support the organisation. Need to ensure a strong volunteer development strategy. ▪ Low current resident skill level for marine training – may mean hiring key staff from out with area initially. ▪ Remote location of Campbeltown ▪ Highly seasonal
Opportunities	Threats
<ul style="list-style-type: none"> ▪ There are no formal watersports trainers in Campbeltown; only the sailing club offer limited tuition. The project can develop instructors and qualified volunteers. ▪ Campbeltown is showing many signs of recovery with much investment, however the community needs support: Watersports is a healthy pastime and one that bring many benefits (leadership, discipline etc.) ▪ Further alignment with Government and Council community and healthy living policies ▪ A very willing base of organisations are currently showing enthusiasm and support. ▪ Provide relevant skills to aid younger people in building a career and hobbies. ▪ Further develop tourism in the area and links with the Marina 	<ul style="list-style-type: none"> ▪ Requirement to develop in a Special Built Environment Area (SBEA) may give rise to planning issues and increased costs to deliver a sympathetic building design. ▪ Failure to confirm all the necessary grants ▪ Failure to reach longer term agreements for commercial sponsorship ▪ Unknowns in terms of Engineering and development costs ▪ Failure to attract continuing support from volunteers ▪ Requirement for Marine Scotland Licences can cause delay but also may trigger an Environmental Impact Study (however not required for Campbeltown Marina) ▪ Need for continued good consultation with community and stakeholders to avoid any future conflict over development ▪ Difficulty in attracting key staff to relocate to Campbeltown

4.6 Benefits of the project – Local and Regional

The benefits that the Kintyre Seaports project are likely bring to the area are covered broadly within the aims of the project outlined in Section 4.3 above and are repeated here for convenience, but expanded upon.

- Will provide activities and courses which will make water sports easily available to disadvantaged sectors of the community and assist in the development of youth and adult populations that are healthier, more skilled, more confident and more integrated into the community. Many of these courses will allow people to experience getting afloat for the first time.
- Will develop and run courses that will lead to the upskilling of youth and lead to better future prospects for employment by having relevant marine based qualifications, more confidence and an awareness of leadership skills; two local 16-year olds have already been trained as sailing instructors. By becoming involved in RYAS Youth Pathway activities the existing and newly trained sailors maybe introduced to competitive sailing at a reasonably high level, which in itself can further develop youth skills, leadership and confidence.
- Will contribute to the growth of tourism through the availability of day and week-long courses in marine activities and by attracting competitive events, regattas and developing community fun or interest events. Courses can be tailored to general visitors, the youth sector or active tourists. By working with existing accommodation providers the centre should strengthen their own businesses and possibly motivate growth or expansion. Often parents will book sailing or paddle sport courses for their children which enables the parents to tour the area, thereby increasing tourism impact further afield. In terms of events each team in a competitive sailing event will normally have supporters/ helpers and whilst the event is on the supporters are free to tour the area. For example – a single handed junior class Topper or Optimist dinghy attending a long weekend or week-long event would often have two parents accompanying the helmsman, who then by default spend additional money in the town and tour the area when the kids are racing.
- Will offer commercial training in marine and marine safety related activities to Argyll and West Coast based companies, this will bring more people into the town and also provide a valuable training resource for local marine and aquaculture related businesses.
- Will develop a community culture for maintaining active marine sports in and around Campbeltown on an ongoing basis, this should help grow and sustain larger memberships for the clubs, allowing them to offer more to their members in return.
- Will actively promote local businesses to visitors and visiting organisations. The Campbeltown Marina management, in particular, see a good relationship with the project as one that could develop additional activities and visitors for them and allow the operation to further integrate within the town.

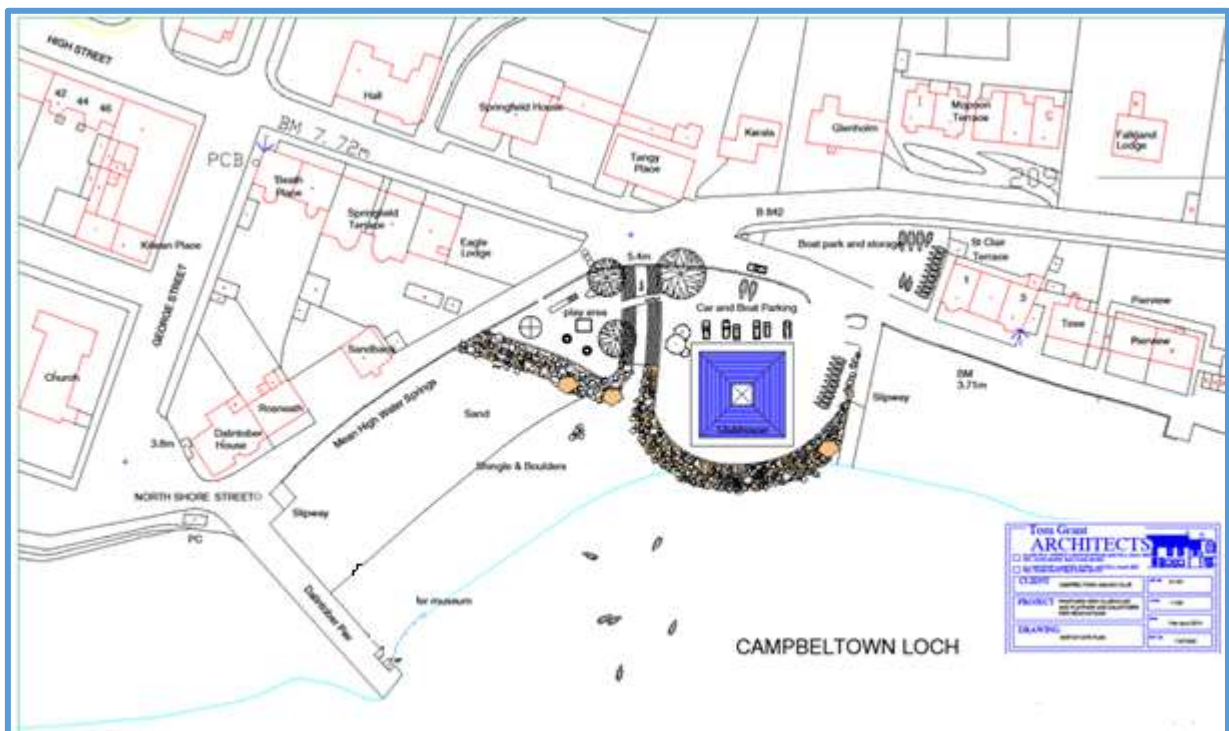
5.0 Building and Infrastructure

In terms of building and infrastructure the team have considered two options to deliver the project.

The first option was to extensively refurbish and extend the existing sailing club premises to accommodate all the activities of the new project. The operation would continue to use the existing slipway and would need to reclaim land for parking and storage as the current site is quite restricted. It was felt that to have the new operation on the opposite side of the road was inadvisable and that if land had to be reclaimed anyway, then it would be better to build a new 1.5 storey building together with public space, some storage and limited parking. Conversion can be very expensive and is likely to put unreasonable constraints on the best and most operable design.

The second option was to reclaim land, as shown in the plan below, demolish the current sailing club and resurface the site for secure boat storage, simple workshop and parking. A new multi-purpose single- or 1.5 storey building, considerate of the surrounding area would be constructed on the reclaimed land that contained all the required features and space in the correct scale. The project could possibly link well with Dalintober Pier and the reclaimed land would be likely to protect the beach. Again, the current slipway would be utilised for launching.

Indicative plan of proposed development – Tom Grant Architects



Whilst the second option was considered to be much more ambitious it was felt that it was the only option that could efficiently accommodate all the differing uses with associated membership growth and operate safely and efficiently. It was a primary consideration that younger children would not be required to cross the road during normal activities and also that the site should be attractive to non-participatory general visitors.

Indicative site plan – map source – google earth



5.1 General Requirements

As mentioned previously a detailed design will be required to take negotiations forward but discussions between the team and the consultants indicate that the following will be required to support the full project plan.

1. Male and female changing and shower facilities, with locker space and drying area. Designed to cope with peak loading from the sailing club and training facilities' regular operations (events may require additional hired in facilities)
2. Public toilets plus accessible shower and toilet
3. Plant room
4. Cleaning equipment store
5. 40 cover Café link to multi use meeting and events space with flexible partitions
6. Kitchen, cellar and catering store (independent access)
7. Meetings room/ tuition Classroom
8. Admin office and reception
9. Staff store and Office Store
10. Store for trainee's apparel and safety wear – with drying and laundering facility.
11. Separate workshop and equipment store

The land around the building would require areas for use as public space, parking, and operational boat storage and play park. It is envisaged that the former sailing club site would be fenced and used for dinghy storage and car parking. During the day the dinghies would be out of the compound and some space would be made available for parking. The workshop and equipment/hardware storage would possibly be in the compound.

5.2 Budget considerations for the development

It was agreed that for the outline business case no further design work would be carried out and the Consultants have based costs around a preliminary maximum building area of 500 square metres (including stores) and the area of land to be reclaimed is in the region of 0.75 acre. The cost estimates for the groundworks, demolition and building works are likely to be in the region of £1.65m and the consultants have shown a further 10% contingency in the budget forecasts making the budget figure for building works just over £1.8m. It must be understood that this is a guidance figure and that a full design and engineering study will be required to identify a more realistic figure. (see 4.4 Funding).

Demolition, making good of the surface of the site of the former sailing club and the formation of a compound have been allowed for in the budget forecast.

5.3 Timescales

Timescales are hard to predict until funding is in place and further investigations are carried out into site conditions, building design, marine licences and planning issues. It has been agreed with the client that a full business case will be required to clarify the wider technical issues and to put more detail into the economic and tourist impact study.

In terms of simplified project planning, and to guide the client, timescales are likely to be as follows:

- Funding - The Full Business Case will dictate how long funding applications and negotiations will take, but hopefully some confidence in timings can be gleaned from discussions that result from the outline business case. The client will control the timing of funding discussions.
- Full business case including planning permission would take six to nine months depending on the level of consultation required and what degree of tendering is required for investigative work.
- Site build and land reclamation is likely to be complete within one year – depending on details and timing of the land reclamation

6.0 Dalintober Beach and Pier – regeneration & management

The Dalintober Beach Group have done a lot of work to enhance the beach and area around the Pier and have been successful in fund-raising. In discussion with the sailing club the inclusion of the Pier in the Kintyre Seasports Project was seen as potentially adding a wider dimension which could assist the Council in bringing the Pier back into active use and preserving it for the future.

In 2014 investigations were carried out, by the Council, into the condition of the Pier and the costs of likely repairs and stabilisation was estimated at £35,000 with a full refurbishment likely to cost £120,000. It has been suggested that with the help of information and input from the local Antiquarian Society and support from the Council that a case for assistance could be made to Historic Scotland.

During the development of this business case the Council were consulted on the merits of including the pier in the Kintyre Seasports project. The project team were also encouraged to consider whether the pier should be considered within the initial phase of the project, the risks around this and whether the question could be considered as a later phase two scheme.

Council Views:

- The inclusion of the pier could trigger access to a wider funding, but a robust case would need to be proposed.
- Such a proposal should include an exhibition of heritage on the pier, have organised activities bringing the pier into use and show that there is committed team that is capable of ensuring a long term future and funding to maintain the pier
- If the community are clear that they have a long term purpose for the pier, the commitment and funding to run a project in the long term and a properly constituted committee then they would be prepared to consider either transferring the assets or granting a long term lease over the pier.
- Currently the Council believe that there is some considerable work to be done in preparing a case for the inclusion of the Pier in the Kintyre Seasports Project and for this reason they believe that it may be wise to make any application to adopt the pier in a second phase of the evolution of the overall project.
- The sums estimated for making the pier safe and sustainable do not reflect the full costs of bringing it into full active use with some kind of visitor attraction.
- They recognise the Beach Group efforts and will be happy to support and assist them in preparing a detailed case if and when they are ready to do so. They do not see the adoption of the pier as fundamental to the case for the wider Seasports project at this stage.

Kintyre Seasports Views:

- Dalintober Beach Group are active partners in the project, have contributed financially and their ambitions for the pier must be fully considered.
- If including the pier in phase one of the project is fundamental to gaining the Council's overall support, then a strong financial case would need to be made.
- There are considerable financial risks in adopting the pier and therefore the group would need to have a very clear business plan and identified robust revenue streams for the

scheme to be able to attract sufficient funding to meet even the most basic stabilisation work.

- Funders who have currently expressed interest in the Seasports project may question the advisability of bringing an apparent liability, or at least a non-revenue producing asset, into a charitable project at this stage. It may adversely affect their appetite to support the project.
- It may be advisable to continue with the efforts to maintain and improve the beach at this stage and look in the longer terms at the merits of bringing the pier into the project.
- Having fully considered all the above, the project team have taken a view that the pier could represent a substantial risk and a potential liability. Further funders of the main project may well be deterred if the pier was included without a compelling business case. For this reason, the adoption and repair of the pier should not be included in the current proposals but could be included, if desirable, at a later stage, after the initial project was fully funded and delivered.

**Source - ARGYLL AND BUTE COUNCIL - MID ARGYLL KINTYRE AND THE ISLANDS AREA COMMITTEE DEVELOPMENT AND INFRASTRUCTURE SERVICES 3 DECEMBER 2014*

7.0 Tourism and Economic Impact

The proposed plan looks to infill an area of land in front and slightly west of the current Sailing Club which forms land for the Seasports building and public amenity space and clears the current site for parking and a storage compound. Whilst this is an ambitious plan it would allow for a state of the art facility and one that would complement the ongoing waterfront regeneration of Campbeltown (much of which has been funded by the CHORD programme) and which was recently reinforced by the extension of the berthing facility to develop a very popular modern marina and facilities building. The success of the new marina underlines the importance of marine activity to Campbeltown. Bilfinger GVA were recently engaged to demonstrate the viability (economically and to foster a sustainable community) for this capital project. As part of this, an economic impact assessment was undertaken which indicated the marina project could generate some £685,000 at the local/regional/national level per annum. In addition, it would create c.8 FTE jobs. The SCIO project would further compliment and build on this project which aims to create a viable, active and engaged waterfront. Bilfinger GVA were consulted as part of the initial discussions around this paper and are supportive of the principle of enhancing and focusing activity at the waterfront which are at the heart of the SCIO proposals.

The project creates two full-time jobs and three seasonal jobs and ultimately a turnover of £140,000 per annum (or £116,000 excluded sponsorship, opex grant and fund raising)

8.0 Financial Projections

The financial projections are to be found in section 10.1 of the appendices (of the hard copy report) or as an attachment to the main report electronically. They are largely self-explanatory.

The financial projections have been produced using experience of similar operations, input from other providers (such as RYA, SSI, sailing schools and clubs) and from published information. As a new project and as a result of a unique location and objectives the figures cannot draw exactly on any directly similar operation. Projections for a similar proposal in Stranraer have been viewed and are broadly similar to the consultant’s projections which serves in some way to confirm that the inputs are in the right ball park; however, the Stranraer project is still at the planning stage also.

8.1 Costs

	Year -1	Year 1	Year 2	Year 3	Year 4	Year 5
Operating Costs	135,982	133,782	133,232	134,332	134,882	135,432
Cap Ex	1,806,816			8,090	45,000	

Capital expenditure costs are estimates at this stage based on inputs from engineers, architect and the client. Detailed costs will need to be established. The costs projected are believed to be realistic but until detail design and site investigations have been undertaken to ascertain true development costs final pricing cannot be confirmed. The capex in year 3 in the table above is for replacing wet weather gear, clothing and lifejackets and in yr 4 is for the replacement of boats, ribs and engines, assuming the initial equipment is sold second-hand (or part-exchanged) at realistic prices.

Revenue and costs have assumed no inflation in the final financial projection spreadsheets. A 10% contingency for additional costs has been factored into the cost summary.

The costs of equipment have been taken from internet research (retail prices with an assumption of a fair trade discount). The RIBs quoted are for Humber boats and Evinrude Outboards with a trailer from the Humber’s extras pricelist. The dinghies suggested were after a discussion with two established training establishments and a negotiation with RS sailing (see quotation)

RS Sailing

Premier Way
Abbey Park
Romsey Invoice
Hants
SO51 9DQ

Tel: 01794526760
Email: jon@rssailing.com
Date: 10-6-16

Club:
Contact: Martin Latimar
Email: martin.latimer@blueseaconsultingllp.com
Tel:
Mob:
Address:

Quotation

Quote valid until
08-9-16

Qty	Product	Unit Price ex VAT		Unit Total ex VAT
3	RS Quest S inc. Asymetic pAck	£4,709.00	18.00%	£11,584.14
3	RS Quest Trolley	£274.17	18.00%	£674.46
3	RS Quest Top Cover	£165.83	18.00%	£407.94
6	RS Quba Club inc Jib Packs	£2,200.00	18.00%	£10,824.00
6	RS Quba Trolley	£181.33	18.00%	£892.14
6	RS Quba Top Cover	£107.50	18.00%	£528.90
2	RS CAT 16 S	£5,400.00	18.00%	£8,856.00
2	RS CAT 16 Trolley	£287.50	18.00%	£471.50

Quote Total £34,239.08

Delivery Quote £850.00

Quote Total inc. VAT £42,106.90

Subject to our Terms and Conditions - available on request

8.2 Revenue

	Year -1	Year 1	Year 2	Year 3	Year 4	Year 5
Revenue	86,268	116,930	123,410	134,660	140,910	142,660

The revenue calculations are, and have to be, based on best estimates as there is no exact data for this type of business. However, the revenue from courses has been developed using a price table derived from a comparison of other similar organisations and businesses and should be achievable. The revenue from courses is dependent on the number of boats, support Ribs and staff available, as there are critical ratios for safety and pupil instructor ratios set by the RYA. (see document below and RYA website <http://www.rya.org.uk/> senior instructor's handbook). The consultants have taken a number of permutations of the staffing ratios and what enquiries lead them to believe are achievable levels of trainee numbers to arrive at staffing levels, boat requirement and the safety cover required. When powerboat courses are being conducted using one of the RIBS the level of safety cover is reduced and the number of sailing courses has to be reduced. Likewise, the instructor availability is reduced at times, when the Principle instructor is required to fulfil his general management duties. These and many other factors were taken into account when configuring the staff allocation, which fed into the revenue generation model.

Kintyre Seaports – allocation of craft and instructors

Staffing -

Chief Instructor – full time 90 days as instructor - £32,000 per annum (£615/wk)

P/T Instructor – 2 wks Apr & 10 wks July, Aug & Sept – 60 days - £4800 per season (£400/wk)

P/T Instructor – 2 wks April & 10 wks July, Aug & Sept – 60 days - £4800 per season (£400/ wk)

P/T Instructor – 2 wks April & 10 wks July, Aug & Sept – 60 days - £4800 per season (£400/ wk)

Volunteer Instructor – 10 evenings and 6 days

Volunteer Instructor – 10 evenings and 6 days

Pupil Ratios –

Crewed Dinghies 3:1 for beginners with instructor on board
9:1 but not more than 6 boats

Single Handed Dinghies 6:1

Windsurfing 6:1

Powerboats 3:1 Levels 1,2, Intermediate and Advanced
6:1 Safety boat – 2 boats

Boat Capacities -

Quest Dinghy (3/4 people)

Quest Dinghy (3/4 people)

Quest Dinghy (3/4 people)

Catamaran (3/4 people)

Quba (1 person)

Quba (1 person)

Quba (1 person)

Quba (1 person)

Quba (1 person)

Quba (1 person)

RIB - (3/4 people)

RIB - (3/4 people)

Safety Cover

Any tuition at an RTC, including RYA courses, should comply with the following minimum safety boat requirements:

Activity	Safety Boats
Windsurfing	12:1 ratio
Dinghies, Multihulls & Keelboats (without engines) capable of recovering from swamping	Up to 6 dinghies 1 safety boat 7 to 15 dinghies 2 safety boats More than 15 dinghies 3 or more safety boats
Keelboats unable to recover from swamping	A dedicated safety boat must be provided which is capable of carrying the entire crew of the keelboat
Personal Watercraft	A PW should not go afloat alone. Another PW or rescue boat must be available in case of problems

Source – Blue Sea Consulting LLP – original file corrupted

Revenues include the following in grants, sponsorship and donations:

	Year -1	Year 1	Year 2	Year 3	Year 4	Year 5
Donations	3,000.00	5,000.00	5,500.00	5,500.00	6,000.00	6,000.00
Sponsorship	15,000.00	15,000.00	15,000.00	15,000.00	18,000.00	18,000.00
Annual Grants	20,000.00	20,000.00	20,000.00	20,000.00	20,000.00	20,000.00

- The donations are best estimates of the additional income that can be derived from fundraising and additional charity events
- Sponsorship has been discussed with a number of local firms and four are expressing serious interest at around the figures shown
- Annual Grants currently refers to the annual operating support that has been indicated in connections with the armed service’s covenant.

8.3 Profit and Loss

The consultants are aware that this is potentially a very important and beneficial project to the community of Campbeltown and therefore they have set out to attempt to be realistic in their approach to developing the business case. The figures are, however, estimated projections.

	Year -1	Year 1	Year 2	Year 3	Year 4	Year 5
Profit and Loss	£49,714	£16,852	£9,822	£322	£6,028	£7,228

Working with the projections proposed to date, the project makes a cumulative loss of £63,500 over the first six years, allowing for a 10% contingency on costs and before tax, depreciation and costs of finance are taken into account. If the contingency were removed the largest loss (in year minus 1) would be circa £40,000 and the cumulative 6-year profit would be circa £10,000.

At year minus one, the set-up year, the project makes a loss of nearly £50,000 and one needs to assess whether this and the other losses could be covered within the initial grant funding packages. From the fourth year of trading the project runs at a small surplus, assuming that sponsorship and operating grants are maintained. Clearly it is of the utmost importance to the project that long term funding and sponsorship arrangements are confirmed from the outset.

9.0 Project Impacts

In preparing the outline business case for the Kintyre Seasports Project, Blue Sea Consulting have been impressed at the level of support for the proposal, the eagerness to see it delivered, the understanding of how it would be delivered and how it would benefit the community. In other cases of community interest projects, the Consultants have noticed that projects tend to be driven by a few individuals with little support or understanding from those around them and it is not until the project materialises that the community buy into the benefits. In the case of this project there is a clear understanding all round, from Councillors, Education, Businesses, Volunteer Groups and Charities of the benefits that Kintyre Seasports could bring and how it would integrate into the life of Campbeltown. This is a credit to the commercial and intelligent approach being taken by the project team and in particular the Sailing Club who are prepared to commit their entire assets into the project. Such an understanding and enthusiasm bodes well for the future delivery and operation of the project. It must be said, however, that with every community led project continual work will be needed to develop and support volunteers from board to operational level and to ensure that the current level of support from all parties to the project is continued.

It seems that the part commercial and part charitable approach taken in the business model is a fair one and that the commercial operations of the sailing school will be required to underpin the more charitable activities. It is hoped that in time the diving, canoeing and other activities could also develop revenue streams over and above their membership income.

Nearly 350 people will benefit from the sailing school operation alone and many more from evening and club activities and competitive and related events. It is expected that 60% of the recipients of training will be likely to come from outside of the region and that given the pattern of youth training parents could swell the tourism numbers by possibly a further 300 plus people. This could significantly increase the numbers of visitors to Kintyre and Campbeltown.

Most importantly the combined activities of the partners will offer great opportunities to the youth and disadvantage members of the community. The Kintyre Youth Café contributed to a significant 17% reduction in youth crime and gave many young people a constructive and social centre in which to thrive. In discussions with a wide range of supporters the general belief is that the Seasports project can only improve things further and give many people a great opportunity to improve their life in a healthy and constructive manner.

Financially the project will need support from outside agencies to thrive, but the amount required is small when compared to the likely benefits to the community, the economy and tourism of Campbeltown.

The headlines impacts of the project are:

- 350 people will benefit from the sailing school operation and many more from evening and club activities. It is expected that 60% of the recipients of training will be likely to come outside the region and that given the pattern of youth training parents could swell the tourism numbers considerably
- Membership of the core clubs is expected to rise from the current level of 165 people to 325 in the course of six years.
- Local people and employees will benefit from sailing and powerboats courses locally and more from volunteer led training and activities across sailing, powerboating, canoeing, diving and much more.
- Commercial courses will be available to local marine based operators
- Schools and community groups will benefit from the activities provided not only by the sailing school but also the other three core clubs and the Sea Cadets.
 - Local organisations and visitors will have another focal point at which to meet
 - Many events have the potential to be staged at the Kintyre Seasports Centre
 - There will be a definite benefit to local tourism and the economy as a result of this project. The true scale of the impact requires further study.

10.0 Appendices

10.1 Financial projections

10.2 Letters of support

10.3 Insurance summary based on projected figures

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**Name of Applicant – Kintyre Seasports
Project – Kintyre Seasports Project**

Policy Review

1	What will the impact be?	Kintyre Seasports is a partnership comprising 14 partners from the Kintyre area with an ambition to be a hub for water sports activities in Campbeltown. The Outline Business Case (OBC) (Appendix 1) states that “the project has enormous local and regional support, with the potential to bring the community together around a marine focus and ensure that there is yet another reason for people to choose to remain, relocate or visit Campbeltown
2	How much / many?	£20,000 of funding is sought from the surplus CHORD funds from Campbeltown. This will go towards the preparation of a Full Business Case which has a total cost of ca £81,000. The balance of the required amount is to come from private investors, the Sailing Club and KSP partners.
3	What locations?	Campbeltown at Dalintober, on land owned by Campbeltown Sailing Club
4	How does it relate to SOA and Council priorities?	This work supports the key aims of the Local Outcome Improvement Plan’s aims 1, 2 and 3 together with the Economic Development Action Plan.
5	Does it conflict with current and other projects?	No
6	Does it support other projects/initiatives?	Yes it supports the new berthing facility and the general regeneration of Campbeltown.
7	Can we do a SWOT analysis?	The outline business case contains a detailed SWOT analysis
8	What is economic impact?	The outline business case suggests that £685k could be generated on an annual basis
9	How many jobs created?	2FTE + 3 seasonal

Governance Review

1	What is legal status of applicant?	The applicant has registered as a SCIO but the composition of this SCIO is not currently available. Trustees are Alastair Cousin jp, Don Hardman and Campbell Fox.
2	Is this confirmed?	Yes – assisted by Third Sector Interface
3	Can it do this – does it have the powers?	Yes – in collaboration with member organisations as indicated in the constitution
4	Have the board / org agreed?	Yes – there is also a considerable amount of local buy in to this project.
5	Is it duly registered if required e.g. OSCR?	Yes
6	Any related company / organisation?	Kintyre Seasports comprises 14 business partners.

Financial Review

1	Proposal:	That £20k is taken from the CHORD excess funds and put towards a funding package as detailed in the attached outline business case. Campbell Fox indicated in a recent correspondence that if the Full Business Case is positive there are no plans to approach the Council for funding
2	Costings provided?	Yes initial costings have been provided
3	Have costings been verified?	Outline Business Case gives detail of spend and estimates of income
4	Is funding in place?	Part of the funding package is in place with the rest currently being sought.
5	Any ongoing costs – is there an operating business plan?	No operational business plan. This funding is being sought to develop a business case based upon the initial outline business case.
6	Profit and loss forecasts, cash flow forecasts and income and expenditure assumptions clear / supported?	Yes

7	<p>Proposer:</p> <ul style="list-style-type: none"> • Copy of annual accounts • Copy of 3 month bank statement • Copy of current year financial reports / management accounts • Copy of auditors report • Copy of budget proposals 	<p>Pending, Kintyre Seasports is a new entity</p> <p>Pending, Kintyre Seasports is a new entity</p> <p>Pending, Kintyre Seasports is a new entity</p> <p>Pending, Kintyre Seasports is a new entity</p> <p>These are itemised in the outline business case and will be presented more fully in the proposed full business case.</p>
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Deliverability / Risk Review

1	Do we have business plan / business case?	This funding is being sought to develop a business case based upon the initial outline business case.
2	Are the assumptions clearly stated and reasonable / supported?	Yes
3	Who are the partners / advisers?	Kintyre Seasports and currently being advised by the Third Sector Interface and the Royal Yachting Association.
4	Are they sufficiently experienced?	Yes
5	Who are the directors / key people in the group?	Campbell Fox
6	Do they have relevant experience?	Yes
7	Have risks been clearly articulated?	Yes. Risks are identified in the outline business case.
8	Have they set out their approach to managing risks?	These will be fully identified in the full business case which will be a result of this funding package.
9	Are risk assumptions and proposed risk management reasonable?	These are itemised in the outline business case and will be presented more fully in the proposed full business case.

ADDITIONAL INFORMATION

Single Outcome Agreement

At the November 2015 MAKI Area Community Planning group Kintyre Seasparks requested that their project be admitted to the SOA: Local (now Local Outcomes Improvement Plan). It was agreed that the project is directly related to the SOA outcomes and that it demonstrates strong partnership working. However, it was felt that the project had a distance to travel. This has largely been addressed by the Outline Business Case and will further develop on production of a full business case.

SWOT Analysis

The SWOT analysis presented in **Appendix 1** outlines the many strengths and opportunities and suggests that any threats or weaknesses are those which could also potentially affect the newly upgraded marina. However, one additional threat is the requirements to develop in a Special Built Environment Area, which may affect planning process.

Tourism and Impact Summary

As outlined in the initial feasibility study (**Appendix 1**) there might be potential to contribute to the growth of tourism through the availability of day marine activities and by attracting events and regattas. A full business case is required to answer if barriers such as Campbeltown's distance from the central belt, will be prohibitive in attracting such events and whether more established and centrally located clubs will present difficulty in entering this market. Some extra detail below is given on why a full detailed business case is required for the tourism related business development associated with the project.

Adventure Tourism Market – The national tourism strategy “Tourism 2020” has identified “activities and adventure” (estimated value £759m) as a sector with real growth potential. There are approximately 350 adventure tourism businesses in Scotland employing around 3,000 people, the sector generates an annual turnover of £140m not including supply chain. Approximately 12% of Adventure Tourism businesses in Scotland are based in Argyll and Bute (40 businesses)¹.

Existing and Potential Market Growth - A full business case is required to research in depth whether Campbeltown's current visitor market (segmentation/ demographics/volume) has potential to create enough sustainable income in the short term, to sustain a high quality offering which can build an established customer base. Most visitors come to experience the great Scottish outdoors, however a much smaller number actually participate or purchase adventure related services.

Examples of recent localised visitor numbers include Campbeltown Museum (3,676 visitors in the period 2015/2016 **down 4%** on 2014/15) and Springbank Distillery (4,534 visits in 2015 **up 20%** to 5,452 in 2016).

In general due to devaluation of the pound, overall rise in living costs and slow growth of wages, the domestic tourism market is becoming more competitive and a greater number of people from within the UK are choosing to holiday domestically. Although household incomes are above their pre-downturn peak overall, not everyone is better off. While retired households' incomes have risen in recent years, non-retired households still have less money on average, than before the economic downturn². The staycation market is an existing key market for adventure activities and growth of this due to economic factors may lead to greater growth in the adventure tourism sector.

Barriers to Entry - Barriers to entry in providing Royal Yachting Association (RYA) training tend to be quite low, there are over 1400 registered training centres across the UK (RYA Website) and the private sector could still choose to develop and compete at the local level. Similarly in relation to other adventure activities barriers tend to be relatively low. The **Scottish Charitable Incorporated Organisation (SCIO)** setup could however be the best way to realise this additional activity offering within the Campbeltown area.

Collaborative opportunities - It is likely that similar to other comparator organisations mentioned within **Appendix 1** that some sort of packaged offering will be required with local accommodation providers. A willingness of local accommodation providers to collaborate requires further assessment, appropriate examples might be for example Campbeltown Backpackers or Scottish Youth Hostel Association, and this requires investigation operationally. Although this could develop potential benefits for accommodation providers, the marketing costs and operations of such arrangements would be the responsibility of the SCIO. The likelihood of developing strong relationships with accommodation providers would need to be determined, potential risks involve disjoint within the package offering and securing a decent margin. Opportunities may exist to create higher end packages targeted at the couples through businesses such as Machrihanish Dunes.

Employment Opportunities - The type of employment opportunities from such activities tend to be predominantly seasonal flexible part-time employment, demonstrated by similar organisations operating within the activity market elsewhere. Other comparator organisations within and out with Argyll demonstrate these seasonal employment opportunities tend to attract young people from Argyll aged 18 – 25, who are studying outwith the region back for the summer, another dimension to this is often the employment opportunities are progressive and local young people within the community are ideal for taking on any potential seasonal employment opportunities, having obtained the required qualifications. Challenges exist in getting to the required revenue amounts to reach the estimated employment of 1.5 full-time jobs and two seasonal positions with a turnover of £140,000.

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The Picture House, Campbeltown

Business Plan



Updated May 2017
Ron Inglis, Project Manager

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Executive summary

The Picture House was built in 1913 and then upgraded by the original architect (Albert V Gardner) in 1935. It is one of the oldest, purpose-built cinemas in Europe and has always operated as a cinema.

'The Centenary Project' aims to restore the 'A' Listed Picture House to its 1930s glory as an 'atmospheric cinema' and add contemporary facilities which will radically improve the cinemagoing experience and ensure that the venue can operate successfully as a sustainable community-based business.

The restoration work concentrates on the atmospheric main auditorium and the unique front of the building which is designed around a series of oval shapes.

An adjacent small office building, owned by the Picture House, will be completely redeveloped to create a new entrance foyer to the cinema along with a small café area and exhibition gallery/seminar room.

At the rear of the cinema, again using ground owned by the Picture House, a new 53-seat cinema auditorium will be developed. The second screen is a vital part of the redevelopment project because of its impact on the viability of the business, the jobs created, and the range of programming that can be offered.

The fully restored and redeveloped venue will not only provide South Kintyre with an exceptional cinema, cultural and entertainment destination but also a combination of spaces and facilities complementing and working with a range of other venues in Campbeltown and across Argyll.

The Picture House will be the catalyst for the next stage in Campbeltown's regeneration through developing a coordinated approach to programming and marketing the town's assets. It will be a year-round focus for young people, families, older residents and visitors to Kintyre.

The Picture House occupies a critical position on Campbeltown's waterfront, immediately adjacent to the only other A-listed public building in the town, the Burnet Building, and close to the ferry terminal. It is crucial to the first impressions that the town makes on any visitor, arriving by road or sea.

The revitalised Picture House will offer a highly distinctive element in Campbeltown's overall tourism offering, directly complementing both the greatly improved accommodation and catering sectors, the refurbished Town Hall and development of the marina which the cinema overlooks. It also offers the potential to be the catalyst for more integrated and effective collaboration between the different sectors and key players involved in serving the communities of South Kintyre, and attracting visitors and businesses to the area.

The development of the venue as a key cultural and entertainment facility for the community will ensure the future of the Picture House by providing much more than cinema. The project will work in close collaboration with other local venues and facilities including the newly refurbished Town Hall, to ensure that provision is complementary rather than competitive and to minimise duplication of effort. This will ensure that the whole community can benefit from a wider range of activities through a coordinated approach to event management.

1 Organisational summary

1.1 Campbeltown Community Business

In 1987, Campbeltown Community Business Ltd (CCB) was set up especially to acquire and operate the Picture House. CCB is the owner of the Picture House building, the adjacent Annexe, the office buildings in the rear courtyard, and the courtyard itself.

CCB is a registered charity, limited by guarantee, and is managed by a board of volunteer trustees. The company worked to raise funds to renovate and re-equip the Picture House which re-opened on 26 May 1989.

The Board currently has 10 members with a range of expertise including financial management, hospitality management, building development, education, community engagement, digital marketing, and legal matters.

1.2 Concept of the venue as a cultural hub

The Picture House has been a local cinema throughout its first 100 years but with the advent of several complementary digital technologies (projection, sound, automation, distribution, marketing and production) its broader role as a cultural hub for Kintyre will be realized once redevelopment is completed. Live relays and recorded cultural performances were presented in 2014 before closure for restoration and will feature strongly in the reopened Picture House. The technologies can be utilised at the local level by new filmmakers as well as business and community groups. The Picture House is also an eminently suitable small / mid-scale live performance venue for music, drama, and speech related events. It is designed to be much more than 'a local cinema', becoming the principal cultural and entertainment venue for Kintyre and a valuable complement to other facilities in Argyll and Bute, and Scotland in general.

1.3 Key operational developments

1. Organisational changes are being implemented which will result in The Picture House becoming more fully integrated into Campbeltown and Kintyre communities. Partnerships with local businesses and community organisations will continue to develop and strengthen.
2. New release and specialist films will be screened 7-days a week with a choice of performance times each day. Live and recorded performances of international theatre, opera, classical and rock music, comedy, curated exhibitions will be 'screened'. There will be opportunities for small scale live music, drama, poetry, and comedy events in both the large auditorium and to a lesser extent in the second screen.
3. The heritage and story of the Picture House building will be accessible through exhibitions, tours and special publications which tell the story of a very special local cinema through the full history of cinema, from silent movies in 1913 through to the latest digital productions and satellite relays of world class performances.
4. Working with Into Film (the national organization responsible for film education) links with local schools and further education organisations have been developed during 2015 and 2016. An expanded range of education-related activities are anticipated to become a regular feature at the Picture House.

1.4 Partnerships with third parties

The original business plan was built on the basis that CCB would lease the venue to an experienced third party cinema operator. Such an arrangement was expected to bring considerable benefits to the Picture House in terms of expertise, sharing of overhead costs with

other venues, programme booking power with film distributors, and integration into the wider Scottish and UK cinema sector.

The operating lease and accompanying Service Level Agreement was tendered in Autumn 2016 but although three companies expressed interest, none of them ultimately tendered. The fall back option of CCB being the operator is therefore being implemented.

Nevertheless a number of important operating partnerships will, to a large extent, bring the expertise that an experienced cinema operator was expected to add to the Picture House. Key partnerships include:

- INDY Cinema Group - contracted programme booking, management, and technical services from the Edinburgh based company which has been providing the monthly film weekends at the Victoria Hall throughout the Picture House closure period.
- Sound Associates - technical supplier and installer. Back up training, service and call-out provided through a service contract.
- Into Film - film education development. CCB has been working with the Scottish office of Into Film for two years.
- Peach Digital - Glasgow-based digital marketing company specializing in the cinema sector. Developer of the CPH web site.
- Veezi - Cloud-based online cinema ticketing and point of sale systems. Used by CPH since 2014 and at the core of the ticket and catering sales operation.
- Simmers & Co - Oban-based accountancy and audit company.
- Food and drink companies including Bute-based Coffee Conscience, international cinema confectionery company PCO Group, and a number of local or regional suppliers.

Links and partnerships are expected to be developed with a number of local companies in order to provide an integrated package supporting meeting hires, conferences and tourism initiatives.

2 Project background

2.1 Background to the Picture House building

The Picture House is one of the first purpose built cinemas in Scotland. It opened on 26th May 1913. The design is unique, Glasgow School Art Nouveau, comprising concentric ovals, with one of only two similar interiors in the UK. The interior is of equal importance being of unusual 'atmospheric style' design. It survives today as a rare single space, largely unaltered from the 1935 re-modeling by the original architect Albert V. Gardner.

However it was recognised that this historic building required extensive work to preserve its unique features, while keeping pace with modern cinema developments, and providing up-to-date infrastructure in the form of improved heating and energy use, modern toilets, an improved foyer area with adequate space for queuing and mingling, and better kiosk facilities to provide a greater range of cinema food and drinks.

In 2003 the first phase of conservation began. The leaking 1930s windows above the entrance were replaced by a glass screen to give the façade the open look it had in 1913. Over £112,000 was invested in this work by the Heritage Lottery Fund and Historic Scotland.

In 2007 the second phase involved replacing the asbestos roofs of the auditorium and annexe, and making the buildings wind and watertight. Once again the Heritage Lottery Fund and Historic Scotland were the main investors in this work with the Gannochy Trust and others contributing to the total of £150,000.

The Picture House and the then adjacent unused annexe building were Grade-A Listed by Historic Scotland in 2008.

2.2 Restoration and redevelopment of the Picture House

The restoration and redevelopment of the 104 year old cinema includes:

- 1 Restoration of the historic auditorium. Modern standard heating, ventilation and seating installed.
- 2 Restoration of the unique Art Nouveau frontage of the building. The box office function relocated to the new foyer area.
- 3 Redeveloping the former annexe building (also A listed) in order to provide a new and improved foyer and café.
- 4 Creation of a multi-purpose exhibition space / meeting room / education room.
- 5 A second 52-seat cinema auditorium created in the rear courtyard in order to increase programme diversity and serve different audience sectors at minimal extra cost. A state-of-the-art auditorium designed to complement the historic cinema auditorium and provide more flexibility of operation.
- 6 Radically improved energy use throughout including: improved insulation; a biomass wood pellet boiler with gas boiler back up; a 40Kw photo-voltaic array on the cinema roof; zoned heating controls; LED lighting throughout.
- 7 Increased storage for consumables, cleaning equipment and materials, and furniture and equipment to support education and business meetings in various parts of the building.

3 Strategic context

3.1 Creative Scotland

'Cinema is now the most popular public cultural activity in Scotland' (Creative Scotland, 2014-15 Annual Plan, Film & Media supplement)

Creative Scotland's vision outlined in the 10 Year Plan 2014-2024 is:

'We want a Scotland where everyone actively values and celebrates arts and creativity as the heartbeat for our lives and the world in which we live; which continually extends its imagination and ways of doing things; and where the arts, screen and creative industries are confident, connected and thriving.'

Five ambitions and associated priorities are identified, of which the following two ambitions are of greatest relevance to the Picture House project:

'Everyone can access and enjoy artistic and creative experiences' and

'Places and quality of life are transformed through imagination, ambition and an understanding of the potential of creativity'

With reference to Creative Scotland's 10 year Plan, the project aims to ensure that the Picture House contributes to the aims of that plan in several ways:

- Offering residents and visitors access, as audiences and participants, to high quality cultural experiences
- Campbeltown is recognised as the most vulnerable of 90 rural 'at risk' towns in Scotland, and a dedicated, year-round physical focus for cultural engagement is therefore central to enhancing quality of life and to strengthening the town's sense of place.
- By working closely with local schools, the Picture House will offer opportunities to young people to enter the arts, screen and creative industries workforce
- The Picture House will do this by developing, in partnership, and as part of the related Heritage Activities Programme, opportunities for creative learning whether in practical film-making skills, in taking part in and staging live performances, or through a deeper critical understanding of screen media
- The Picture House is already fully equipped with 3D and satellite digital equipment and will use this resource to its fullest capacity to enhance cultural engagement and encourage creativity
- The rebuilt Picture House will have a focus on being environmentally sustainable through energy conservation schemes, and by offering Kintyre residents a quality cultural experience on their doorstep, it will also reduce carbon footprint impacts.

3.2 Highland & Islands Enterprise – Ambitious for Culture

Highlands and Islands Enterprise's *'Ambitious for Culture: Optimising the potential of our cultural, heritage and creative assets'* is one of four core policies including Resilient Rural Communities. The policy aligns well with Creative Scotland's priorities – in particular, the importance of cultural development and strengthening communities in order to realise social and economic growth.

HIE recognises that the region's valuable and distinctive culture can help stimulate growth and underpin regional objectives – for more people to live, work, study and invest in the Highlands and Islands – which are all of fundamental importance in Campbeltown and Kintyre.

The Ambitious for Culture policy emphasises that the aspects of regional culture of most importance to HIE are those which have greatest potential to realise economic and social growth and which are associated with their four priorities of:

- Supporting businesses and social enterprises to shape and realise their growth aspirations
- Strengthening communities and fragile areas
- Developing growth sectors, particularly distinctive regional opportunities
- Creating the conditions for a competitive and low carbon region

HIE is actively working with partners and communities to *'optimise the contribution that heritage assets make to generating 'sense of place' for our communities, enhance regional attractiveness and providing high profile, inspirational and authentic visitor experiences'*. The redevelopment of the Picture House is exactly the kind of project which has the potential to deliver these outcomes, improve regional attractiveness and support population retention and growth.

Through the Ambitious for Culture and other policies, especially Resilient Rural Communities, HIE aims to leverage inward investment to accompany its own contributions which *'enables the development of strategic transformational cultural infrastructure projects, both physical and virtual, particularly where those can be realised in fragile areas'*.

3.3 Historic Scotland

At a national level, the defining principle of Historic Scotland's high level statement on national heritage 'Our Place in Time' (2014) underlines that:

'We need to be ambitious and do more to preserve and maintain the historic environment and to secure the many associated benefits.'

These benefits include the strong contribution that the cultural, social, environmental and economic value of Scotland's heritage makes to national wellbeing. At a more intimate level it also recognised that:

'People cherish places, and the values of the historic environment lie in defining and enhancing that connection of people to a place.'

3.4 Local context

The Campbeltown Picture House has a contributing role as a community asset for Campbeltown and the Kintyre Peninsula. In addition to being a local facility, it is a local business providing direct employment. The Picture House has the potential to play a part in the local visitor economy and to contribute to current economic development strategies for Campbeltown.

In recent years, despite its importance, the Picture House had fallen into disrepair and the building was in desperate need of a comprehensive upgrade. Moreover, unless these issues were addressed soon, more rapid deterioration was bound to occur. Given its prominent position in the town shorefront, any further descent into dilapidation was bound to have a negative economic impact on the local shops and businesses.

Linkages with other initiatives in Campbeltown, primarily under the lead of Argyll & Bute Council, provide a compelling argument that this building should not be allowed to deteriorate to the detriment of the wider regeneration effort being undertaken.

Linkages with other Campbeltown town centre projects include:

- Campbeltown Conservation Area Regeneration Scheme (CARS)
- Campbeltown Townscape Heritage Initiative (THI)

- Argyll & Bute Council's regeneration plan for Campbeltown, Helensburgh, Oban, Rothesay and Dunoon (CHORD)
- The Royal Hotel
- Kintyre Amenity Trust – Old Schoolhouse and the Heritage Centre
- Campbeltown Town Hall
- Repairs and upgrading of private properties by owners utilising the Townscape Heritage Initiative.

The redeveloped Picture House will complement other facilities and businesses in Campbeltown, for example local cafes and hotels, the Town Hall, and venues which have rooms for hire.

The project also relates closely to a number of other key policies and activities being led primarily by Argyll & Bute Council.

1. The Argyll and Bute Structure and Local Plan which supports the regeneration of Campbeltown Town Centre through designated areas for action; policies to protect and enhance listed buildings and conservation areas and their settings.
2. The CPP Community Plan – promoting Regeneration, Economy and Culture, arts and sports under the Vibrant Communities theme.
3. The Corporate Plan of Argyll and Bute Council – which promotes the Town Centre regeneration activities within Campbeltown as a key priority
4. The Kintyre Action Plan: A strategic plan focused on addressing the key economic challenges faced within Kintyre. The actions within this are drawn from the original Yellow Book proposals and the National Government Economic strategy.

With this as a background, CCB is working towards ensuring the building's future whilst reinstating The Picture House as a fully functioning community venue which can meet the current, emerging and aspirational needs of the local population. CCB also consider that this development could act as a catalyst for further town centre development, local employment and inward investment.

3.5 Cinema operation

3.5.1 Film programming

Cinema venues and facilities are constantly being upgraded and new ideas tried. At a recent Europa Cinema Convention it was emphasised that: *'the independent cinema will only maximise attendance and survive through offering an experience over and above other means of viewing now widely available through home viewing, the computer and mobile phone.'*¹

In 2002, 394 feature films were released in cinemas in the UK. By 2016 this had increased to 915 (including 96 event cinema performances) providing a greatly expanded range of films for different audiences. Films now stay 'on screen' for much shorter periods than ten and twenty years ago. For popular films this means that it is important to get as much of the potential audience in to see the film before it stops being screened. For these reasons, and allowing for the increased flexibility of digital projection, having more than a single screen available is clearly preferable.

As a local cinema operating in a remote community the Picture House's programming will concentrate on new release titles ensuring, as far as is practical, that each week there is a film suitable for the core local markets: young children and families; cinemagoers interested in new mainstream films including sequels; and films for older audiences, often dramas or films based on a literary source. A regular addition to the programme would be screening of acclaimed independent, documentary or foreign language films.

¹ This point was emphasised in the recent Mintel research report on cinema which stated that there is *'no room for complacency as home entertainment becomes increasingly sophisticated'*.

3.5.2 Event cinema programming

The screening of live and recorded performances of cultural and entertainment events including opera, theatre, classical and rock music, comedy, ballet, curated museum tours, and television premieres has become an important part of a local cinema's programme, in many instances accounting for 10%-20% of annual ticket income.

Audiences for event cinema are often distinctly different from the regular cinema audience and similarly their purchases at the café bar and concession counter differ from cinema audiences'. The cinema has to adapt to these differences and offer both an appropriate experience and suitable food and drink.

During 2014 the Picture House screened a variety of event cinema performances and began to demonstrate the venue's wider role as a cultural hub in Kintyre. The reopened Picture House will present an average of at least one event cinema performance per month.

3.5.3 Catering

The food and drink offer is an increasingly important factor for cinemas. In some instances café bars or restaurants account for 30% to 50% of the venue's turnover. The provision of a small café bar in the redeveloped Picture House is an essential part of the future viability of the venue. With screenings throughout the day 7-days a week, a variety of audiences will make use of the cinema and many will want to have a coffee or tea, or a glass of wine or beer, as well as the more traditional popcorn and ice cream sold at cinemas.

The catering operation will add to and complement other local cafes, restaurants and hotel catering. However the capacity of the Picture House café bar will be limited and therefore it will remain important to work collaboratively with other local food and drink providers, for example the nearby Bluebell Café or the Royal Hotel.

4 Market analysis

4.1 Campbeltown & Kintyre

South Kintyre is a large area of western Scotland centred on Campbeltown, which is the largest settlement with a population of 4,852 people². The area suffers from twin issues of geographic isolation and an ageing population (with a higher percentage of people aged 70 plus and lower numbers of people of working age when compared to the rest of Argyll and Bute or Scotland).

Due to its remote location, access to the area is dependent on a single road, the A83 (the only major road into and out of the Kintyre peninsula) which is the primary lifeline for all residents and businesses in South Kintyre.

Historically the local economy has been driven by the farming, fishing, whisky, shipbuilding and tourism industries. However the main employment sectors currently are in the wholesale and retail trades, public sector, and manufacturing. The area suffers from high unemployment and is identified as a 'vulnerable area' and an 'area of employment deficit' by both Argyll & Bute Council and Highlands and Islands Enterprise.

In recent years a combination of publicly-funded regeneration initiatives and significant inward investment including the manufacturing of wind turbines at Machrihanish, the development of the new pier in Campbeltown for the transport of timber, the new golf course, hotel upgrades, the new marina (part of Argyll & Bute Council's CHORD regeneration programme), and the development of the Kintyre Way play a significant role in alleviating these conditions.

The Machrihanish Airbase Community Company (MACC) is a company limited by guarantee with charitable status owned and controlled by local people within South Kintyre. The MACC group was launched in 2008 to create a sustainable business within the ex-RAF Machrihanish airbase for the long term future of the area, keeping all revenues raised within the local community. The group now has approximately 700 members and works to create as many jobs and opportunities for the local people and businesses as possible.

MACC currently has around 30 small to medium sized businesses located on site with its key tenants including Wind Towers Scotland, one of the UK's two wind-tower manufacturers and Highlands and Islands Airports Ltd, which operates commercial flights to Glasgow.

Norwegian company, Niri, recently announced that they will construct the first Scottish salmon farm built on land at the Machrihanish Airbase in Kintyre. The development will create up to 20 new jobs with the potential for many more. Production is set to begin later this year with two tanks being built in the former NATO airbase's Gaydon hangar, each expected to produce 1,000 tonnes of salmon a year.

(See Appendix 14.2.1 for details of the many recent improvements in the infrastructure and market conditions in Kintyre.)

South Kintyre has many attractive features which appeal to tourists including stunning wildlife and scenery, excellent fishing, walking and cycling paths as well as three world class golf courses. Most of the outlying villages are idyllic locations for the visitor and have good quality, reasonably priced accommodation available.

The Picture House is one of Campbeltown's main attractions alongside Aqualibrium Leisure Centre, Campbeltown Museum, Springbank and Glen Scotia Whisky Distillery Tours, the Linda McCartney Memorial Garden, and the community run Heritage Centre.

Kintyre has a long history of arts and culture and has a very strong and vibrant artistic community. It is estimated that there are at least 1213 people or 18.67% of the total population

² 2011 Census

directly involved in arts/cultural activity which represents a much higher percentage of people involved in arts and cultural activities than the rest of Scotland or the UK as a whole.

In 2012, a Kintyre Cultural Forum study identified a wide variety of arts and cultural groups operating locally including at least: 40 musical groups, 9 theatre groups, 5 visual arts groups, 3 dance groups, 2 media arts groups and 3 heritage /history groups.

Music remains the most popular art form with the local area hosting a number of world class professional musicians and bands including Willie McCallum a world champion piper, the Kintyre Schools Pipe Band who won the world championship in their grade in 2011 and Campbeltown Brass who were Scottish Youth Band Champions in 2010.

4.2 Assessment of demand

Estimating the potential cinema attendance at The Picture House involves comparing the cinema with UK averages as well as cinemas with similarities to the Campbeltown venue.

The Picture House will operate 7-days a week with a predominantly commercial cinema programme but also including quality specialist films and, importantly, Event Cinema screenings of opera, theatre, music, and other entertainment events.

During weekdays three screenings per day will be offered while on Saturday and Sunday four screenings will be presented. This results in approximately 1,200 screenings per auditorium per year (compared to 310 screenings in previous years at The Picture House).

The following sections utilise differing methodologies for estimating the attendance potential for the redeveloped Picture House.

4.2.1 UK cinema averages

Two metrics widely used throughout the cinema industry to measure the intensity of cinema usage are seat occupancy per year and total annual attendance per screen.

Seat occupancy

The UK average seat occupancy across all cinemas in 2015 was 203. (In 2012 Cineworld's average seat occupancy was 285 and some town centre independent and specialist cinemas achieve seat occupancy rates of 400 to 500.)

The Picture House will have 193 seats (+ 4 wheelchair spaces) in the historic auditorium and 52 seats (+ 2 wheelchair spaces) in the second screen, a total of 245 seats. At the 2015 UK average rate of occupancy this equates to 49,735 annual admissions and, based on 1,200 performances per auditorium, an average occupancy of 17%.

Screen occupancy

Across all UK cinemas the average attendance per screen in 2016 was 41,600. However with three-quarters of UK screens in multiplex cinemas and one quarter of all cinemas in Greater London, the average screen metric is clearly influenced by those two factors and is therefore less useful for estimating the attendance at The Picture House. A more typical level for rural independent local cinemas is 20,000 to 40,000 per screen although a few notable examples – Kino in Hawkhurst, New Park Cinema in Chichester, Regal in Stowmarket – achieve in excess of 60,000 admissions from single screen, independent cinemas.

4.2.2 Comparator cinemas

Every cinema has specific circumstances but useful comparisons can be made to aid the estimation of attendance at the redeveloped Picture House. (See Appendix 11.7)

Each of the cinemas listed below were developed or reopened with Lottery or other public funding assistance.

Thurso Cinema

Edge of town, re-opened 2012, 2 screens, 248 seats, full-time, large bar restaurant.
 10-mile radius catchment population: 13,333. Town population: 7,933 (59% of catchment).
 Average household income: £34,564. Average age of residents: 42

Admissions per year: 65,000
 Admissions per resident: 4.9
 Admissions per seat: 262

Birks Cinema, Aberfeldy

Town centre, opened 2013, 1 screen, 104 seats, full-time, mid-scale café bar.
 5-mile radius catchment population: 3,661. Town population: 1,986 (54% of catchment).
 Average household income: £32,819. Average age of residents: 46

Admissions per year: 32,000
 Admissions per resident: 8.7
 Admissions per seat: 308

The town gets a substantial number of visitors often staying for a week at a time.

Phoenix Cinema, Oban

Town centre, re-opened 2013, 2 screens, 148 seats + 15 seats, full-time, no café bar.
 10-mile radius catchment population: 13,330. Town population: 8,574 (64% of catchment).
 Average household income: £32,665. Average age of residents: 43

Admissions per year: 50,000 (estimate)
 Admissions per resident: 3.8
 Admissions per seat: 338

4.2.3 Event Cinema

Since first appearing in 2006, the Event Cinema market has grown to 5% of the overall global cinema box office. Some exhibitors, especially independent cinemas, are finding that event cinema occupies 20% or more of their box office revenue.

An average of 106 event cinema performances were available to UK cinemas during the three years 2014-2016. Selecting which performances, or opera seasons, to offer is now a task at least as complex as selecting a film programme.

4.3 The redeveloped Picture House

2 screens, 245 seats, full-time, small café bar.
 10-mile radius catchment population: 7,068. Town population: 4,852 (69% of catchment).
 Average household income: £28,140. Average age of residents: 45

Estimated Admissions per year: **37,500 – Film screenings**
2,500 – Event cinema performances

Admissions per resident: 5.7
 Admissions per seat: 163

In comparison to the other towns and cinemas cited above, Campbeltown is the second smallest community and has an average household income 17% below the average of the other five towns (which include relatively prosperous communities in, for example, Thurso).

The catchment area for film screenings already reaches up to Tarbert (37 miles, 50 minutes drivetime, 1179 population) and for Event Cinema and live performances up to Lochgilphead (50 miles, 70 minutes drivetime, 2392 population).

Based on attendances per seat, the projected admissions of 40,000 are 25% below the UK average level of cinemagoing.

The split between attendances in the historic auditorium and the new second screen will depend on the programming and audience preferences. For example, Event Cinema performances are expected to be particularly suitable for the historic auditorium which closely resembles a traditional theatre or concert hall. In contrast, the modern second screen will be much more suitable for more specialist films and for meetings. Overall, the addition of the second screen is expected to contribute 13,000 admissions (approximately one-third of the total) to the overall target for a full year once the redevelopment is complete.

4.4 Marketing activity

4.4.1 Methods

Cinema marketing is concentrated on: web sites; email newsletters; YouTube and Vimeo trailers, teasers and other pre-release material; social media campaigns; and increasingly on mobile / smartphone marketing. Optional marketing methods include printed programme brochures or fliers and press advertising. Although expensive these traditional methods – which have been used successfully for the monthly film weekends at the Victoria Hall – continue to have a useful role for local cinemas such as the Picture House.

Several staff are expected to be involved in marketing activity at the Picture House, with one of the Deputy Managers taking on specific responsibilities for marketing. Additionally the Heritage Activity Coordinator will be involved in a range of public engagement activities which will benefit the overall marketing of the venue.

4.4.2 Target audiences

Cinema audiences

The Picture House will be predominantly a mainstream cinema but will be flexible enough to cater for niche audiences for specialised films and film festivals. Local cinemas are particularly popular with young children, family groups, and 40+ year old audiences.

While the monthly film weekend screenings are not entirely representative, the audience composition has been: 36% adult / 22% senior / 38% child / 3% student.

Event cinema performances

Event cinema covers a broad and expanding range of performances and events which frequently attract audiences who otherwise would not visit a cinema. The Picture House will aim to collaborate with a wide range of local cultural interest groups – drama and music groups, art clubs, comedy promoters, and dance schools.

Food and drink

The Picture House's café bar facilities will open from mid-morning/lunchtime and offer light meals, cakes, coffees and teas, soft and alcoholic drinks throughout the day. The aim will be to make the Picture House a destination for anyone wanting a relaxing place for a light meal, a drink or to meet friends.

Venue hire

The facilities will be marketed to local and regional organisations from the private, public and third sectors. The education / meeting room will be equipped with its own AV system including a large screen monitor capable of screening films for education and festival events.

4.4.3 Film festivals and audience development

Film festivals and special cinema-related events are regularly used to provide highlights to the cinema year. These may be developed and presented by individual organisations such as CCB or may be touring events curated elsewhere.

An annual film festival is proposed as part of the heritage activity plan. The concept of a Classic Film Festival anchored around the 1930s period when 'talkies' arrived and the Picture House was redeveloped by Albert Gardner is designed to focus attention on the heritage of cinema and of the Picture House and cinema architecture in general. Funding will be sought from sources including Creative Scotland, Regional Screen Scotland's Film Festival Fund, and Film Hub Scotland. Film festivals are also suitable events for sponsorship.

Alongside highlights such as film festivals, a general audience development programme starting three months before the Picture House re-opens and continuing for two years will aim to build new audiences for the redeveloped venue. These activities will extend beyond the world of film to include the range of cultural interests available through event cinema performances.

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5 Project delivery

5.1 Vision

Ensure that the Picture House plays a central role in the cultural and social life of Campbeltown and South Kintyre becoming recognised as a hub for heritage and culture in the local area.

5.2 Aims

- 1 Manage and operate the Picture House in a financial sustainable manner, presenting a high quality core programme of films as well as 'live' and recorded relays of cultural performances and events.
- 2 Develop new cultural projects and opportunities, and new audiences
- 3 Enable the Picture House to be available, on a practical and affordable basis, for programming by other cultural groups and promoters
- 4 Work with others to enable the Picture House to play a leading role in the promotion of Campbeltown and South Kintyre

5.3 Developments during the rebuild period

- Integration of future programming with the Heritage Activity Programme, to explore the history of the Picture House itself, and the history of cinema over the century of the Picture House's existence, through educational and outreach programmes that will involve practical film-making and a deeper understanding of film and digital technologies and cultures.
- Integrating the Picture House into a wider venue network for Campbeltown and South Kintyre, to encourage coordinated programming, the matching of event to most suitable venue, and joint promotion of the area's cultural offering, to both residents and visitors.
- Linking with other, new and revived, independent cultural facilities in Argyll and Bute to develop collaborative working in furtherance of the aims of the *Strategic Action Plan for Culture, Heritage and Arts in Argyll and Bute*³ adopted by the Council earlier in 2014.
- Organised and, in collaboration with Film Mobile Scotland/INDY Cinema Group, delivered monthly screenings of new release films in the Victoria Hall.

5.4 Future developments after the relaunch

Using the two screens (historic auditorium and new second screen) to support the widest possible diversity of programming, ensuring that core cinema programming continues seven days a week, throughout the year, while also allowing scope for:

- Satellite relays of 'alternative content'
- Live performances of drama, music, literature, comedy, etc.
- Community film-making
- Screenings of archive material
- Hire as venue for conferences and lectures

Developing, in partnership with others, new cultural offerings:

- Film and Moving Image festivals, seasons and special events. For example: exploring and celebrating 'The Golden Age of Moviemaking'; 'Scotland: the Movie'; 'Young People and Film'. Where possible these will be developed to be shared with, or at the least

³ <http://www.argyll-bute.gov.uk/moderngov/documents/s88061/Culture%20Heritage%20and%20Arts%20Action%20Plan%20-%20Final%20March%202014.pdf>

complement, programmes in Argyll and Bute's other cinema venues and arts centres, in Dunoon, Rothesay, Tobermory and Oban, as well as the Screen Machine programme.

- New and existing 'live' festivals for South Kintyre.
- Film-making opportunities, for young people, for the wider community, for aspirant professionals, working with a specialist educational institution and Into Film⁴.

5.5 Accessibility improvements

The redeveloped Picture House will incorporate many improvements and enhancements to ensure that the venue's facilities and programme is accessible to everyone. Wheelchair access will be available to all areas apart from the balcony in the historic auditorium.

5.5.1 Assistive technology

Both auditoria will be equipped with inductive loop and wireless systems for hard of hearing audience members who use hearing aids equipped with T-switches. The wireless systems can also be used to provide audio description for sight impaired audiences.

5.5.2 Relaxed screenings

At these screenings the film and the cinema environment are adjusted for children with autism spectrum disorders and/or sensory hypersensitivity. Appropriate films are screened and subtle changes to the conventional cinema environment are made. These relaxed screenings have proved popular at many cinemas and initial consultations in Campbeltown suggest that they could become a regular feature at the cinema.

5.6 Energy efficiency improvements

A comprehensive range of improvements are being installed to ensure that the venue is energy efficient and minimises carbon emissions.⁵ These are detailed in the accompanying Design Report. Features such as low energy LED lighting, high quality insulation, zoning controls for a new heating and ventilation, heat recovery ventilation systems, load management controls (which adjust lighting, heating and ventilation according to the occupancy of the building) will be installed.

A wood pellet 'biomass' boiler will provide the main heating for the venue. A 40Kw photovoltaic micro-generation array has been installed on the main cinema roof.

Waste disposal will comply with the Waste (Scotland) Regulations 2012 and efforts made to recycle materials wherever practical.

⁴ Into Film is a film education charity that puts film at the heart of the educational and personal development of children and young people aged 5-19 across the UK. www.intofilm.org/out-of-school-filmmaking

⁵ The UK cinema trade organisation – the UK Cinema Association – has developed an energy efficiency toolkit to enable cinemas to assess and minimise their energy usage. Their surveys indicate that savings of 20-25% could be made in most cinemas.

6 Project resources

6.1 Capital

The restored Picture House is planned to have:

- Full digital, 3D, satellite-linked projection in both auditoria
- A small stage in the historic auditorium for live performances
- Space in the second screen for speech-related events: readings, comedy, illustrated talks
- A foyer cafe where audiences can gather before and after screenings and performances
- A multi-use meeting room / gallery / reception room (seating 12 boardroom style or 20 theatre style)

6.2 Governance

The Memorandum and Articles of Association of CCB were updated in 2014 to bring them in line with current legislation and best practice. Currently there are 10 directors/trustees.

6.3 Personnel

6.3.1 Operational staff

The Picture House Manager (appointed and due to start in June 2017) will have overall responsibility for the management and operation of the Picture House.

Once the 2-screen venue is fully operational, the staffing is expected to rise to 6 full-time equivalents and approximately 10 part-time jobs, a total of 10 full-time equivalents (FTE).

Several members of staff will be allocated additional responsibilities alongside their main role. For example one of the Duty Managers may be responsible for local marketing, or another member of staff may be responsible for developing community and business hires of the venue.

6.3.2 Indirect employment

As part of a network of cultural and tourist organisations and venues in and around Campbeltown, the Picture House is estimated to sustain more than 8 indirect jobs (FTE). Indirect employment will be present in areas such as: taxis, cafe and bar staff, ferry staff, shops, print shops, web developer, delivery drivers, catering suppliers, cleaning contractors, window cleaners, equipment service staff, general building maintenance staff.

Mid-week event cinema performances, especially during the September to May months, will bring audiences into the town centre and contribute to business at local cafes, bars and restaurants.

6.3.3 Additional staff

The Heritage Lottery Fund supported heritage activities programme includes several specialists who are working on projects throughout 2017 and into 2018. These include:

- Heritage Activities Co-ordinator responsible to managing the programme of activities and with specific responsibility for developing the first edition of an annual film festival, due to be presented in March 2018.
- An Archivist investigating the history of the Picture House; curating the documents and artefacts; and developing community archiving projects.
- An author working on a special publication about the history of the Picture House.

- A community filmmaker developing projects with different age groups in Campbeltown and South Kintyre.
- Independent filmmakers producing a short film about the Picture House and its restoration.

Once the Picture House reopens there is the potential to work with other partners, such as the South Kintyre Development Trust and the Kintyre Cultural Forum, to collaborate on a single, area-wide post which will integrate the Picture House's programme, marketing and activities into the wider cultural context. Collaboration along these lines would help ensure continuity of provision and efficient delivery of services.

6.3.4 Trainees, apprenticeships

CBC is working with Skills Development Scotland to ensure that we work to develop roles across the business. There will be a Skills4Growth Audit to highlight the roles and responsibilities required to operate the cinema. For example: Apprenticeships for those seeking their first role; Administration Skills training, Hospitality Training, Technical & Facilities Training and potentially support from Creative Skills Set for more advanced training.

Activities during the redevelopment period including the monthly film weekends have helped to provide experience in a number of technical and organisational skills and start the local filmmaking activities which will, on occasion, provide a route into the media industry.

Cinema staff will be encouraged to take part in the recently launched UK Cinema Association Cinema Operative Apprenticeship scheme which provides an accredited course of training.

6.3.5 Volunteers

Since its formation in 1987, CCB has been run by a volunteer board of directors. The efforts of many volunteers ensured that the Picture House continued as a full-time cinema and has been periodically improved – frontage improvements, roof replacement, conversion to digital projection. The Centenary Project is the largest project they have undertaken and involves an on-going and considerable commitment of time and effort.

The Picture House will work alongside Argyll & Bute TSI and the various volunteer coordinators (funded by the Scottish Government via Shopper-Aide, Inspiralba, South Kintyre Development Trust, and Kintyre Youth Enquiry Service) to identify volunteering opportunities at the cinema. These are envisaged to be primarily on the heritage side of the business e.g. tour guides etc.

After redevelopment, the CCB board will continue to be responsible for the building and its operation. Additionally CCB expects to play a leading role in developing an annual film festival and a range of education and heritage activities. In each instance, volunteers will be recruited to assist with the development and delivery of these additional activities.

Throughout the redevelopment period, starting in February 2015 and continuing until May 2017, volunteers have assisted with the delivery of monthly film weekends at the Victoria Hall. 177 screenings were presented to 8,318 cinemagoers. 159 different films were shown and provided a regular cinema presence in the town during the Picture House closure period.

6.4 Employment during construction

The cinema closed in September 2014 in preparation for the restoration and redevelopment work. The main contractor, Corramore Construction based in Northern Ireland, have endeavoured to employ local labour and sub-contractors. [A copy of Corramore's local labour report is attached as an appendix.]

The Heritage Activities team have been working on the Picture House project since early 2016.

7 Redevelopment project costs

The project costs are outlined below (at 12 May 2017):

Project Costs	QS		Activities
	Estimates	Capital	
A Preliminary costs	5,000		
B Main contractor building works	1,945,000	2,509,262	
C Building Warrant	9,500	4,630	
D Professional fees	277,925	277,925	
Additional fees to date & forecast		69,836	
E Interpretation	46,285	45,623	
F Client Direct (Proj, Sound etc)	214,000	221,914	
G Other costs:			
Project Mgmt, Accountancy, Evaluation, Legal	162,000	187,828	
HLF Activity costs (inc £43,720 p/t Coord)	109,170		109,170
CCF Activity costs			50,000
Robertson Trust Activity costs			15,000
H Inflation	165,000		
J Additional Client Direct Costs			
Courtyard office refurbishment		20,550	
Foyer Furniture & Video Displays		13,567	
Educ Rm Furniture & AV Equip		16,345	
Front Desk & Kitchen Fit Out		27,500	
Extension of time (Corramore + Consultants)		25,000	
Total Costs	2,933,880	3,419,980	174,170

The increase in project costs have been primarily due to:

- Main contractor tenders exceeding QS estimates. Corramore Construction were selected on the basis of both quality (top scoring company) and price (lowest bidder). Their price was 23% above estimated costs. Additional funding was secured from Heritage Lottery Fund and Coastal Communities Fund to assist with these extra costs but savings in the construction programme were still required and the full contingency allocated to construction.
- A series of unbudgeted costs being incurred including technical specialists (paint research, plaster specialists, heritage engineering, legal costs, etc)
- In the absence of a third party cinema operator, additional work has been required to ensure that the Picture House is completed in accordance with original plans. For example the operator had been intended to take on responsibility for much of the technical and catering fit out - these costs are now being borne by CCB.
- The delay in completion of the main contract works has resulted in additional claims for fees from the design team and from the main contractor.

8 Funding

8.1 Funding overview

Project Funding		Capital	Activities
Public/Statutory Funders			
Heritage Lottery Fund	1,100,000	1,284,230	109,170
Creative Scotland	400,000	400,000	
Coastal Communities Fund	359,724	485,682	50,000
Highlands & Islands Enterprise	300,000	300,000	
Argyll & Bute Council + CHORD	150,000	190,000	
Historic Environment Scotland	203,585	203,585	
Historic Environment Scotland Supplementary		20,000	
Architectural Heritage Fund	7,500	7,500	
LEADER		12,272	
Awards for All		9,434	
Creative Scotland Open Project Fund		20,550	
	2,520,809	3,043,253	159,170
		90.4%	
Trusts & foundations			
The Robertson Trust	150,000	150,000	15,000
Other trusts & foundations (see below)	98,000	109,000	
	248,000	259,000	15,000
		7.7%	
Local & Private Fundraising			
Corporate donations	3,000	3,000	
Cinema operator investment	100,000	0	
Seat sponsorship (£250 per seat)	20,135	29,569	
Private donations		9,572	
Platinum/Gold/Silver/Bronze Supporters		20,400	
	123,135	62,541	0
		1.9%	
Total Funding	2,891,944	3,364,794	174,170

There is currently a funding gap of £165,000. Discussions are ongoing with Highlands & Islands Enterprise and Argyll & Bute Council regarding potential additional funding.

RBS Social and Community Capital have arranged a loan facility for £164,000 to cover cashflow during the final stages of the project and, if necessary, to support a funding gap.

8.2 Public fundraising and volunteers

Public fundraising activities currently concentrate on two schemes:

- Seat sponsorship – Individual seats can be sponsored for £250. 114 Seats have already been sponsored.
- Easyfundraising.com web site set up to generate income

In October 2015 a professional fundraiser was appointed by CCB with the aim of generating funds to complete a range of items which are outwith the main construction contract.

The value of volunteer time during the Activity Plan and the construction delivery stage has reached £205,000 (using Heritage Lottery Fund guidelines).

8.3 VAT

CCB is registered for VAT, number 184 1423 18. HMRC have confirmed that VAT would be recoverable on all project development costs.

8.4 Revenue funding

Revenue funding has supported a range of activities since the start of the redevelopment project. Certain aspects of these activities will continue until March 2018.

Revenue funding has been received for the following:

- Coastal Communities Fund – two years of revenue funding @ £25,000 per year to support activities including film weekends during 2015 and 2016.
- The Robertson Trust – one year of revenue funding @ £15,000 per year to support audience and community development activities during 2015 through to mid 2017.
- Creative Scotland's Open Project fund – £11,550 to support monthly film weekends in 2015 and 2016.
- Film Hub Scotland Open Programme fund - £4,050 to support the initial 6 months of film weekends in 2015.
- Heritage Lottery Fund - £107,190 to support a series of activities including archiving, filmmaking, authoring a book, developing a film festival, and relaunching the Picture House.

9 Partnership working and stakeholders

9.1 Strategic local partnerships

Campbeltown has benefited in recent years from two interlinked programmes of regeneration. As one of Argyll and Bute Council's five CHORD towns, Campbeltown has seen the implementation of a far-reaching Townscape Heritage Initiative, major improvements to the main entrance into the town, and plans for a substantial expansion of berthing facilities for leisure yachts. At the same time, and working in close conjunction with the CHORD Programme, the South Kintyre Development Trust (SKDT), formed in 2008 to 'advance sustainable development and the regeneration of the local area', has undertaken, as one of its key projects the restoration of the historic Town Hall in the Main Street. SKDT's Community Action Plan 2012-17 for Campbeltown has, as one of its six themes, ***Making the most of our assets***, and the second priority under that theme is ensuring the successful completion of the Picture House's Centenary Project, to secure the building's future.

More directly, a restored and fully operational Picture House will be able to collaborate with the restored Town Hall to offer combinations of events and programmes, especially with the aim of attracting additional tourists to the area.

At the level of Argyll and Bute Council as a whole, the development of the Picture House, integrated with wider development patterns in the area, accords well with two of the objectives of the adopted Strategic Action Plan for Culture, Heritage and Arts in Argyll and Bute, namely

- To promote co-operation across the sector in the development and delivery of projects
- A structure and delivery mechanism that encourages local engagement and supports local development of the creative industries while mobilising local people to take and support a pan-Argyll approach (achieving balance between local and Argyll-wide priorities and action).

The Strategic Action Plan for Culture, Heritage and Arts as adopted by A&BC has the following vision: 'To establish the whole of Argyll and Bute as an area of cultural and artistic excellence, in order to release their full economic and social value.'

The Picture House will adopt this vision with specific reference to contributing to its achievement in Campbeltown and South Kintyre. CCB was represented on the Cultural Assembly for Argyll and Bute and is currently working with CHArts Kintyre & Gigha. The Strategic Action Plan also notes how culture, heritage and arts can contribute to several key areas of the Council's Single Outcome Agreement:

1. The economy is diverse and thriving
2. We have infrastructure that supports sustainable growth
3. Education, skills and training maximises opportunities for all
4. Children and young people have the best possible start
5. People live active, healthier and independent lives
6. People live in safer and stronger communities

The Picture House will contribute directly to achieving all of these objectives, for example by:

- providing employment (direct and indirect)
- providing stimulating access to culture and entertainment
- providing education, training and skill development opportunities
- providing opportunities for social interaction for all ages

9.2 Campbeltown venue co-ordination

The Town Hall Redevelopment Project includes a fulltime post of Town Hall Manager funded for three years, with reducing funding for a further two. The Manager post is focused on marketing the restored venue and building up a programme of use.

CCB intends to work closely with South Kintyre Development Trust in taking a proactive approach to greater coordination between venues, groups and businesses in the region, for the wider aim of enabling key buildings to be 'anchors' in the greater task of reversing population decline.

The tangible benefits from such an approach could include:

- Providing promotional outlets such as 'Explore Campbeltown' and 'Explore Kintyre & Gigha' with coordinated programmes that avoid awkward clashes and offer attractions to potential visitors throughout the season
- Enabling different venues to host those activities to which they are best suited
- Making it easier for new cultural events to be planned and developed, given the availability of specialist expertise in programming, outreach and marketing
- Helping to resolve issues of matching spaces to needs, for example for heritage facilities.

Two of the key priorities identified in the *Campbeltown Community Action Plan for 2012 - 2017* produced by SKDT are: 'Secure the future of Campbeltown Picture House' and 'Ensure successful completion of the 2013 Centenary Project'.

SKDT has been developed to provide an enabling role, as expressed in the Community Action Plan, the objectives of which include making Campbeltown 'an attractive and vibrant community' with:

- a complementary mix of modern and historic buildings with easy access in and around Campbeltown
- modern facilities that cater for the requirements of the community – education, recreation, culture, health and well being
- assets and attractions that people want to visit year after year

The plan specifically supports the refurbishment of the Picture House, in order to 'retain employment in the area and create a better experience for residents and visitors'.

9.3 Cinema sector partnerships

9.3.1 UK Cinema Association

The UKCA advocates on behalf of the UK cinema sector at international, national, regional and local level. This includes lobbying and working with Government at all levels, with other sectors of the film industry, particularly distribution, as well as working with others to promote the value of cinema to the wider public. In addition the UKCA provides advice and support to individual members on interpreting and adhering to legislation and regulation, and in dealing with day to day operational issues as appropriate. CCB is a member of the UKCA.

9.3.2 Film distributors

Cinemas depend on film distributors to bring high quality and interesting films to the UK and to market them in, hopefully, an appropriate manner. The overwhelming majority of cinema advertising spend comes from film distributors and therefore individual cinemas need to ensure that they benefit from this marketing effort in order to reach audiences efficiently.

9.3.3 Event Cinema producers and distributors

The growing importance of live and recorded relays of cultural performances and events has been accompanied by an increasing number of sources of programme material. Broadcasters, independent theatre companies, and museums are now developing programmes for cinemas.

9.3.4 Into Film – film education

Into Film is a film education charity that puts film at the heart of the educational and personal development of children and young people aged 5-19 across the UK. Their activities include: developing schools film clubs; organizing an annual youth film festival presented in cinemas throughout the UK; out of school filmmaking; teacher training and professional development courses; and provision of up to date teaching resources on a wide range of films.

9.3.5 Regional Screen Scotland

Regional Screen Scotland (RSS) is the development agency for cinema facilities and organisations in Scotland – from independent cinemas to film clubs and film festivals. RSS is currently organising an Argyll and Bute Screen Forum involving Campbeltown Picture House, Oban Phoenix, The Tower in Helensburgh, Dunoon Burgh Hall, Discovery Cinema in Rothesay and RSS.

9.3.6 Film Hub Scotland

As part of the BFI's Film Audience Network, Film Hub Scotland has been set up to extend film choice, increase and broaden film audiences, and enhance opportunities for audiences to engage with and learn about film. The Picture House is a member of Film Hub Scotland.

9.3.7 Scottish Screen Archive

As part of the National Libraries of Scotland, the Scottish Screen Archive is Scotland's national moving image collection. The Archive plan to work with the Picture House in developing access to the large amount of historic records that were recently discovered and which they consider to provide a unique insight into the development of cinema in Scotland from the early days of silent film up to the present day.

10 Financial appraisal

10.1 Assumptions & Performance Indicators

The key assumptions for the cinema budget are:

	Campbeltown (2017)	UK (2016)
Average ticket price	£5.10	£6.00
Average concession sales per person	£1.30	£1.91
Average café bar sales per person	£1.70	
Seat occupancy rate / year	163	203
Average number of screenings per auditorium	1,200	900 – 1,800
Film hire %	45%	42% – 46%
Concession sales GP%	70%	
Café bar GP%	50%	
Screen advertising as a % Box Office takings	3.5%	5%
Booking Fee as a % Box Office takings	0.5%	
Ticket stationery / admission (pence)	0.1p	
PRS/PPL as a % Box Office takings	1%	1%
Marketing as a % of Box Office	3%	

Financial figures are shown ex-VAT

10.2 Payroll

The payroll for the redeveloped Picture House is detailed in the table below. The hours required in each area of the venue plus the pay rates are all based on commercial experience at cinemas such as Aurora Leisure and represent an efficient allocation of staff time. The redevelopment of the Picture House has taken into account the need to have an efficient, easy to manage building in order to keep staffing costs to an acceptably low level.

Note that the budgets assume that all staff are paid and that volunteers are not required in order to make the venue viable. However it is expected that on some occasions and for some tasks volunteers will supplement the paid staff. For example during festivals and possibly during some Event Cinema performances where additional staffing is required.

10.3 Ticket pricing

Campbeltown and Kintyre is a comparatively low income area. The average household income in the area within a 10 miles radius of Campbeltown is £28,140 compared to £33,127 for Argyll & Bute as a whole.⁶ Ticket pricing therefore aims to strike a balance between being affordable and at the same time generating sufficient income for the Picture House to be sustainable. The projected pricing (2017 prices) is detailed in Section 10.5 below.

As the web site and ticketing system⁷ develop further, a points-based membership or loyalty scheme will be introduced to replace the current scheme. This will allow customers to accumulate points from all their purchases at the Picture House.

⁶ Data from CACI 'Vital Statistics', base year 2013.

⁷ The ticketing system is Veezi, a lower cost version of leading system Vista, designed specifically for smaller cinemas.

10.4 Memberships and hire income

10.4.1 Friends and loyalty schemes

The budget forecasts 500 Friends paying at least £10 each per year, producing an ex-VAT income of **£4,165**.

The future of the Friends scheme and the possible introduction of a points based rewards Loyalty scheme will be examined over the summer months once the Picture House Manager takes up their post.

10.4.2 Hire of facilities

The redeveloped facilities will provide Kintyre and the wider Argyll and Bute area with a valuable and welcoming new venue for many different organisations to meet. Similarly the small second screen, increased foyer area, general purpose room and café bar create a suitable space for childrens' parties, especially at weekends. The table below illustrates a preliminary hire income budget. All hires in the income budget are for 09:00 - 17:00 weekdays, apart from childrens' parties which would normally be at weekends:

	Rate/session (incl. VAT)	N° hires	Gross	Net (ex-VAT)
Screen 1	3hrs			
Commercial hires	750	2	1,500	1,250
Third sector hires	500	4	2,000	1,667
Local voluntary organisations	250	4	1,000	833
Cultural promotions (80:20 split) 100 x £10	200	4	800	667
Screen 2	3hrs			
Commercial hires	400	4	1,600	1,333
Third sector hires	250	6	1,500	1,250
Local voluntary organisations	125	15	1,875	1,563
Kids parties (film hire extra)	100	10	1,000	833
Education/Meeting room	3hrs			
Commercial hires	60	10	600	500
Third sector hires	40	20	800	667
Local voluntary organisations	20	30	600	500
			Total	£ 9,813

Local competition

The refurbished Town Hall also offers its facilities for hire to a wide variety of community and commercial organisations. The main hall is suitable for use by local groups for community and social events and the marketing concentrates on attracting private functions and small conferences. For example weddings and receptions, funerals, indoor markets, and licenced dances. The Town Hall is able to host small-scale performances especially during local festivals when venues are in great demand, but the layout and acoustics of the room are not ideal for this purpose. The Picture House and South Kintyre Development Trust, which manages the Town Hall, plan to work together to maximise the benefits of each facility by coordinating events to minimise clashes and providing special cinema screenings for conference groups or wedding parties.

10.5 Baseline annual budget

PROJECTED SEATING STATISTICS			
	Seats	Capacity/Week	Annual Admissions
Screen 1	193	2.90	29,104
Screen 2	52	4.00	10,816
Total	245	3.45	39,920

PROJECTED PRICING			
	£ Inc VAT	£ Exc VAT	% of Sales
Adult Peak	8.00	6.67	20%
Adult Matinee	6.50	5.42	10%
Senior	7.00	5.83	10%
Senior Matinee	5.50	4.58	15%
Teenage 13-16	5.50	4.58	20%
12 and Under	5.50	4.58	20%
Family			0%
Kids Cinema Club	3.00	2.50	5%
Ave Film Ticket Price *	6.13	5.10	100%
Ave Product Sales - Films	3.00	2.50	
Ave Event Cinema Ticket Price	14.00	11.67	
Ave Product Sales - Event	3.00	2.50	

* Ave cinema ticket price in 2015 £7.19 (5.99 ex VAT) so CPH 2017 prices are 15% lower than 2015 average

TOTAL INCOME		
Box Office Income - Film		188,854
Box Office Income - Event Cinema		35,000
Venue Hire	Revised projection	9,813
Friends of the Picture House	500 members @ £10 pa (inc VAT)	4,167
Screen Advertising	3.5%	7,835
Booking Fee Income	50p per adv booking 15% of tickets sold online	2,994
3D Glasses Supplement @ £1.00	7.5% of admissions £1.50 inc VAT	3,750
Concession & Café Bar Sales - Film		92,500
Concession & Café Bar Sales - Event Cinema		7,500
Renewable Heat Incentive (wood pellet boiler system)		14,000
Feed in tariff PV array		2,500
	Total Income	368,912

VARIABLE COSTS		
Film Hire	45.0%	84,984
Film Hire - Event Cinema	50.0%	17,500
Film Transport	1% x Film Hire	850
Marketing	2.5% of Box Office Ave £105 pwk	5,596
Veezi charges	£125.00 pm + 30p per ticket sold online	3,296
Peach Digital - Hosting	£62.50 pm	750
Peach Digital - Tech Support	£87.50 pm	1,050
MyMovies	£50.00 pm	600
Ticket Stationery		100
Food & Drink cost of Sales	26.5%	26,500
Venue hire support costs	25% of revenue	2,453
PRS / PPL	1% x Box Office	2,239
3D Glasses cost	£1.00	2,775
	Total Variable Costs	148,694

PAYROLL & SERVICE CONTRACT COSTS	
Salary Costs + Mgr Incentive	112,458
On-costs (pension, NI, SSP/SMP, Holiday Pay)	16,763
Training	500
INDY Cinema Group programming & technical services contract	10,800
Ellis Whittam Contract (HR)	2,000
Audit & Accountancy (Simmers & Co)	5,000
Total Payroll Costs	147,521

TOTAL OVERHEADS	
Rates (4% x turnover)	14,756
Electricity	15,000
Deduct saving from electricity from PV array	-7,000
Additional maintenance for PV array	500
Wood Pellets / Gas	10,000
Telephone	800
Broadband	1,200
Water	600
Projection equipment managed service contract / lease / rental	0
Projection consumables (lamps, etc)	2,000
Cinema Next VPF fee (£105pm)	1,260
Contract Services (projection service, IT, M&E service, etc)	3,000
Repairs & Renewals (as per HLF Mgmt & Maintenance Plan)	16,700
Specialist cleaning	500
Consumables and Disposables	1,250
Computers (hardware & software)	500
Insurance (current quote Nov 2016)	8,500
Banking Costs	500
Credit card processing costs	2,000
Licences Levies & Subscriptions	800
Uniforms	400
Postage	100
Printing & Stationery	800
Cleaning materials	1,000
Travel (inc lodging)	2,000
Governance Costs	500
General Expenses	2,000
Total Overheads	64,910
Trading Profit	
	7,788

10.6 Five-year budget summary

	Inflation	Pre-opening 3 months	2017 6 months	2018	2019	2020	2021
Cinema admissions			17,500	36,000	37,000	37,000	37,000
Event Cinema admissions			750	2,000	2,500	3,000	3,000
Total admissions			18,250	38,000	39,500	40,000	40,000
Average Ticket Price - Cinema	1.5%		5.10	5.18	5.26	5.34	5.42
Average Ticket Price - Event Cinema	1.5%		11.67	11.84	12.02	12.20	12.38
Projected Income							
Box office - Cinema			89,323	186,506	194,562	197,481	200,443
Box office - Event Cinema			8,750	23,683	30,048	36,599	37,148
Total Box Office Income			98,073	210,190	224,611	234,079	237,591
Concessions - Cinema	1.0%		43,750	90,900	93,425	93,425	93,425
Concessions - Event Cinema	3.0%		1,875	5,150	6,438	7,725	7,725
Café bar			6,000	14,500	16,500	18,750	21,000
Café bar (alcohol)			1,500	3,000	3,500	3,750	4,000
Total Retail Income			53,125	113,550	119,863	123,650	126,150
Revenue Funding (HLF, HIE)		5,000	18,750	17,500	11,250	2,500	-
Screen advertising @ 3.5%		-	3,433	7,357	7,861	8,193	8,316
Energy RHI & PV Feed In		-	8,250	16,000	15,500	15,000	14,500
Venue Hires	10.0%	-	4,906	10,794	11,873	13,060	14,366
Other (3D glasses etc)	2.0%	-	5,455	11,129	11,351	11,579	11,810
Total Income		5,000	191,992	386,519	402,309	408,061	412,733
Variable Costs							
Film Rental @ 45%	0.0%	-	40,195	83,928	87,553	88,866	90,199
Event Cinema Fee @ 50%	0.0%	-	4,375	11,842	15,024	18,299	18,574
Retail Purchases @ 26.5%	2.0%	-	12,091	25,453	26,464	26,805	26,805
Café Bar Purchases @ 26.5%	2.0%	-	1,590	3,843	4,373	4,969	5,565
Marketing	2.0%	2,000	5,696	11,621	11,853	12,090	12,332
Other costs (PRS, 3D, etc)	2.0%	3,000	3,733	7,616	7,768	7,924	8,082
Total Cost of Sales		5,000	67,681	144,302	153,035	158,953	161,557
Payroll & Service Contracts Costs							
Payroll	2.0%	18,500	64,860	132,315	134,961	134,661	137,354
Programming & Tech Services	3.0%	2,000	5,400	11,124	11,458	11,801	12,155
HR & Finance Services	2.0%		3,500	7,140	7,283	7,428	7,577
Operational Mentoring		5,850	8,250	-	-	-	-
Total Payroll		26,350	82,010	150,579	153,702	153,891	157,086
Overhead Costs							
Rates (100% discount) @ 4%			0	0	0	0	0
Water rates			500	1,000	1,000	1,000	1,000
Utilities (Heat, Light, Tel, etc)	2.0%	3,000	10,550	21,522	21,952	22,391	22,839
C2 Projection lease/rental			5,833	10,000	10,000	10,000	10,000
Projector lamps, VPF payments	2.0%		1,630	3,325	3,392	3,460	3,529
Building maintenance (HLF plan)	2.0%		10,975	22,389	22,837	23,294	23,759
Insurance & finance costs	2.0%	2,000	5,500	11,220	11,444	11,673	11,907
Other overheads	2.0%	2,000	3,800	7,752	7,907	8,065	8,226
Total Overheads		7,000	38,788	77,208	78,532	79,883	81,261
Total Expenditure		38,350	188,479	372,089	385,269	392,727	399,904
Surplus retained		(33,350)	3,513	14,430	17,040	15,335	12,829

10.7 Operating budget notes

- 1 Screen advertising income is based on a quotation from Pearl & Dean, 17 June 2014 and is for a maximum of 10 minutes of advertising per screening.
- 2 Only 7.5% of admissions are included as 3D screenings. 40-45 films are released in 3D each year and typically these films are among the more popular titles each year. Overall, cinemas earned 11% of box office income from 3D films during 2015. Generally, local cinemas earn a lower portion of their income from 3D films compared to multiplexes.
- 3 The Renewable Heat Incentive is payable if a wood pellet boiler is installed and paid for by non-government funding. The Incentive is payable for 20 years (inflation adjusted, government guaranteed) from the point at which the installation is registered. CCB is currently examining whether the company will be eligible for RHI payments.
- 4 Film hire is set at 45% which is towards the upper end of the rental percentage a cinema would expect to pay. However it allows for two factors: the higher rental rate demanded for new films early in their release; and the impact of paying minimum guarantees for underperforming films.
- 5 Payroll costs are based on pay rates comparable with other local cinemas.
- 6 Business rates for cinemas are calculated as 4% of turnover in accordance with Practice Note 12, Valuation of Cinemas, Scottish Assessors Association, 2010. However 100% Small Business Rates Relief is available for businesses in Central Campbeltown. Therefore the business rates are shown as zero. (Charitable status companies, including CCB, are usually entitled to mandatory 80% discount on business rates. 100% discount is discretionary.)
- 7 Legal and professional fees includes the human resources services of Ellis Whittam.
- 8 Overheads account for 18% of turnover. Payroll accounts for 30%. These figures are higher than experienced by larger cinemas with a higher level of attendance and associated income.
- 9 The trading profit represents the income retained by CCB.

10.8 Annual cash flow analysis

The cash flow illustration below makes use of the typical Scottish cinema seasonal variation in attendance. Peak months of April and July coincide with school holidays.

Month	Jan	Feb	Mar	Apr	May	Jun
Percentage(%)	8.6	8.2	5.7	10.4	8.9	7.5
Month	Jul	Aug	Sep	Oct	Nov	Dec
Percentage(%)	12.5	8.9	6.1	8.9	6.8	7.5

11 Monitoring and evaluation

An outline monitoring and evaluation plan is included as Appendix 14.1.4. It will be the Picture House Manager's responsibility to carry out the majority of the monitoring and evaluation activities which are then reported to the CCB Board which has the responsibility to funders to ensure that the data is collected and reported.

Attendance data for the cinema up to 28 August 2014 is available and can be used to benchmark performance at the redeveloped venue.

11.1 Performance indicators

In addition to routine financial management the cinema business operates with several well-understood performance indicators.

11.1.1 Key performance drivers (targets)

Figures which underpin budget forecasting include: Average Ticket Price; Film Hire %; Retail spend per person; Retail Sales Margin %; Seat occupancy; Screen occupancy.

These measure can be assessed in comparison with industry benchmarks and other broadly similar cinemas in Scotland.

11.1.2 Key Performance Indicators (KPIs)

Measures used to assess actual performance include: Attendances; Ticket Sales Income; Film Hire %; Spend per person; Retail Sales Margin %; Café Bar Sales Margin %.

11.2 Surveys

Audience and customer surveys will be carried out on-line (via services such as Survey Monkey) and using paper-based questionnaires or response cards. Questionnaire surveys will be supported by meetings with the public which may take the form of invited focus groups or of general public meetings.

The various public engagement activities planned around the heritage of the Picture House will allow further informal feedback to be gathered and combined with the survey information.

11.3 Impacts

An impact assessment framework will be developed during the delivery phase so that a systematic evaluation of the redeveloped Picture House can be implemented and maintained for at least five years after the project completion. The framework will be appropriate for the scale of the organisation and the staffing levels.

11.4 Industry networking

Participation in cinema trade organisations and events will reduce the effects of operating in a remote rural location such as Campbeltown. The Picture House is a member of the UK Cinema Association and is an active member of the Scottish branch. Allowance has been made in the budgets for some staff attendance and cinema industry conferences and trade shows.

11.5 Evaluation plan

See appendix 14.1.4

12 Risk analysis

Nature of the risk	Probability	Consequences	Mitigation / Actions / Completion
1 Building risk – Delivery Phase			
1.1 Restoration of auditorium encounters structural difficulties	Low	Additional time required to complete project. Cost over-run. Project may require adjustment.	Detailed structural and conservation investigations carried out by structural engineers at Stage D, and prior to tenders being issued. All issues addressed. Completion due 30 June 2017
1.2 Roof structure problems when installing new ventilation plant and acoustic treatment	Low	Strengthening of roof structure required. Additional time and costs	Structural investigations following Stage D have confirmed strengthening requirements for the new work. All issues addressed. Completed
1.3 Ground movement following demolition of rear annex and balcony stairwell	Low	Delay to the project. Stabilisation works required. Additional piling required for new foyer, café bar, second screen.	Test pits and site investigation work has been carried out to establish ground conditions. Completed according to engineers' plans
1.4 Asbestos discovered	Low	Project delay while asbestos removed. Additional costs.	Initial non-invasive asbestos survey carried out during Stage C. A subsequent refurbishment survey has been completed. No asbestos found
1.5 Contractor unable to complete project	Medium	If contractor becomes insolvent or encounters other difficulties, the project would stop until another contractor was secured.	Tendering process has sought references on several aspects of the contractor's previous work. Insurance against contractor failure will be sought. Practical Completion scheduled for 30 June 2017
1.5 Sub-contractor failure to meet required standard of work	Medium	In an extreme case, works may have to be redone in order to rectify problems	Careful and regular monitoring of on-site work by QS, Lead Consultant / Architect, and engineer team Ongoing - work completed satisfactorily to date
1.6 Redevelopment work over-runs expected timescale	Medium	Late re-opening of the Picture House would affect cash flow forecasts and potentially incur additional costs. Some funding has specific end-dates and work attributed to these funds must be completed by those dates.	Regular progress meetings. On-site project management to report progress to QS, Architect and Client Project Manager. Delays in completing the building works will delay the fit out and reopening until September 2017
1.7 Redevelopment work exceeds budget	Medium	Inability to complete the project as originally anticipated. Some facilities incomplete.	Fixed price contract will be issued. Continuous QS and Architect monitoring of the project. Delays and unexpected problems with damp walls/dry rot will result in modest cost over-run, partly met by contingency

2 Financial risk – Delivery Phase			
2.1 Failure to raise adequate funds	High	Depending on the scale of the shortfall, the project may require modification with some elements eliminated which in turn could affect viability. If the shortfall is large the project may be cancelled.	Continual liaison with funders to ensure they are aware of the current state of the funding and estimated costs for the project. Fundraising efforts continue throughout the redevelopment project. Board members allocated to specific fundraising initiatives. Professional fundraiser appointed. Currently approx. £150,000 shortfall in funding. RBS Social & Community Capital loan in place to assist with cashflow.
2.2 Cost increases exceed budget capacity	High	Re-scoping aspects of the restoration and redevelopment works. Certain items leased rather than purchased. Loans required in order to continue with project.	QS estimates include above normal levels of contingency (5% design, 10% construction, 15% for restoration of historic cinema building works). Liaison with funders regarding possible increased support. Additional funding has been secured from Heritage Lottery Fund, Coastal Communities Fund, Creative Scotland, Historic Environment Scotland. Negotiations ongoing with Highlands & Islands Enterprise and Argyll & Bute Council. New funding secured from Awards for All and LEADER. CCB continuing with fundraising.
2.3 Tenders come in above expected budget	High	Value engineering required to identify areas where costs can be reduced or eliminated. Possible delay in issuing contracts and delayed start of on-site work.	As above, QS estimated costs are based on current (Q2 2014) prices and prudent inflationary increase are built in. Cost estimates have been thoroughly reviewed since previous scheme was submitted. Lowest cost tender was 23% above QS estimates resulting in 3 month delay to start and subsequent negotiations regarding funding.
2.4 Cash flow management difficulties	Medium	Intermittent payment difficulties leading to strained relationship with contractors and/or non-performance of tasks on due dates	Regular updates and monitoring of the work progress by QS and Project Co-ordinator. Regular liaison with funders to ensure timely payment of grant instalments. Negotiate cash flow assistance from funders and/or bank. Cash flow managed by Project Manager. No requirement to date for overdraft facility although this is anticipated during H2 2017.

3 Economic risk – Operational Phase			
3.1 Continuing impact of depressed economy	Medium	Operation of the cinema adversely affected as audiences decide not to attend.	Special pricing and offers to attract audiences from vulnerable sectors of the resident population. Seek funding to support additional marketing. HLF Resilient Heritage and HIE match funding will support the initial 2 years of operation, allowing the Picture House to become established.
3.2 Unemployment rate increases in Campbeltown	Low	Unemployment levels are already high and if increased would put more pressure on consumer spending, adversely affecting the cinema income.	New businesses are starting in the town and some other infrastructure projects are scheduled to start. Visitor market to be prioritized and encouraged to attend through exhibition of restoration works – promote the uniqueness of the cinema and the redevelopment work. Sensitive pricing, efficient marketing and flexible programming all planned
3.3 Decline in visitor numbers	Low / Medium	Although visitors currently do not constitute a large portion of Picture House’s audience, they are a necessary addition and their loss would be harmful. Considerable marketing effort now in place for Kintyre in order to boost visitor numbers.	Partnerships with other organisations in Kintyre to promote the cinema along with other attractions. Develop packages which include incentives to visit the cinema. Develop specific marketing initiatives for the visitor market. Partnerships with local businesses are a priority for development by the CPH Manager
4 Market risk – Operational Phase			
4.1 Decline in popularity of cinemagoing	Low	If a general trend then the Picture House would need to diversify more towards live events, hires of facilities and increase income from the cafe bar.	The most consistent trend in cinemagoing for the past two decades has been the increase in the number of 40+ year old cinemagoers. Campbeltown has a older age profile than the Scottish average. The Picture House would emphasise programming and schemes to encourage regular attendance of older audiences while at the same time promoting family cinemagoing. UK cinemagoing continues to be popular - attendances in March 2017 were at the highest level for 46 years. However, dominance of a small number of major ‘hits’ is a concern and will be mitigated by a broadly based programme.
4.2 Event Cinema declines in popularity	Low	Declining income from a high earning programme strand. Reduced income from bar sales.	Avoid overcrowding the event cinema programme with one or more strands, for example too much theatre or opera and not enough ballet, rock music, etc. Appeal to many different potential audiences. Avoid branding

			<p>everything with one label, encourage diverse audiences. Avoid clashes with prominent local events and festivals.</p> <p>Approx. 100 event cinema performances are available annually and cover many artforms. No indication that the screenings are declining in popularity.</p>
4.3 Failure to change perception of Picture House as outdated	Low (Medium if second screen not developed)	Inability to attract the young audience (under 40 years old) who are much less interested in heritage and much more concerned to have a modern cinema experience	<p>The new foyer, café bar and second screen will be developed to modern cinema standards. The historic cinema need not be the auditorium of choice for some audiences. Careful local marketing which does not over-emphasise the heritage aspects of the venue.</p> <p>The Picture House has been radically improved and enhanced. Effectively it is a new venue and will operate as such while retaining key heritage elements.</p>
4.4 Poor performance of key films	Medium	Strain on annual operating budgets due to lower income from some of the annual Top 20 films which all cinemas rely on.	<p>Encourage and promote a diverse range of films throughout the year. Ensure that audiences always have a choice of 3-5 films each week.</p> <p>Programming partnership with INDY Cinema Group ensures access to a broad range of films.</p>
5 Management risk – Operational Phase			
5.1 Inability to attract key personnel	Low	Difficulty securing expertise required to run the cinema effectively and with marketing flair. Lack of management expertise. Lack of financial skills. Lack of connections to the wider cinema sector.	<p>Provide an encouraging operational environment and promote good relations between the Board, management, staff and volunteers. Ensure that all individuals associated with the Picture House are kept informed of current trading, future developments, etc.</p> <p>Experienced and enthusiastic CPH Manager has been recruited. High standard of applicants attracted for Manager post.</p>
5.2 Failure to lease to experienced operator	Medium	There are only a few suitably expert cinema operators who would be interested in taking on the Picture House, although that situation would change once redevelopment is complete. Without a third party operator, the Board may consider returning to direct operation of the venue and employing a new manager.	<p>Continue to work closely with Rob Arthur / Aurora Leisure who has already proved his commitment to the future of the Picture House. Strengthen CCB board so that if a suitable operator cannot be attracted, CCB will take on management and operation of the Picture House.</p> <p>Following an open tender process, 3 companies expressed interest but ultimately none tendered. CCB is therefore the operator.</p>
5.3 Inability of operator to meet SLA	Medium	The Service Level Agreement is at the heart of the cultural hub concept and failure to	Develop the SLA in partnership with the cinema operator and selected stakeholders. Encourage

		meet the objectives would harm perceptions of what the Picture House intends to be and how it operates.	partnerships and links to other local businesses. SLA targets will now be the responsibility of CCB
5.4 Rob Arthur ceases to be involved with the Picture House	Low	Rob Arthur is a key person in the development of the new style of operation of the cinema. His involvement has brought about a 30% increase in attendances against a UK market that has struggled in 2014. His expertise and contacts have allowed many changes to be implemented speedily and relatively easily.	There are at least three options if Rob Arthur, for whatever reason, is no longer involved: a) The Picture House reverts to being a stand-alone cinema operation managed by CCB - This is the current situation b) Another experienced cinema operator is sought to lease the Picture House - Tendering did not result in another company expressing interest c) A local Campbeltown town centre venues consortium could be formed to manage and operate the Picture House, the Town Hall, the Victoria Hall and perhaps other venues. Benefits might include shared overheads, staffing and marketing.
6 Legal risk – Operational Phase			
6.1 Changes in legislation	Low	Some legislative changes may affect the operation of cinemas throughout Scotland, for example changes in the Performing Rights Society charges, or in waste disposal regulations, or in employment regulations.	Continue to support the efforts of organisations such as the Cinema Exhibitors Association who represent the cinema sector and lobby government on issues affecting the whole sector. Participate in UK Cinema Association Scottish Branch meetings to keep up to date with potential legislative impacts.
7 Technical risk – Operational Phase			
7.1 Cinema technology advances	Low	Digital technologies advance continuously and there is a risk that without regular re-investment the cinema may find that it cannot screen certain films or live relays.	Ensure that a sinking fund <u>and</u> a fundraising strategy for equipment upgrades and replacement is in place. Plan for future upgrades rather than respond to crises. Proposed managed service agreement (Sony) includes technical upgrades for 5 years with option to exchange or replace equipment Cinema technology continues to advance each year and the new equipment being installed will be 'current technology' but avoids high risk new approaches.

Name of Applicant – Campbeltown Community Business (CCB)
Project – The Picture House Restoration Project

Policy Review

1	What will the impact be?	<p>The fully restored and redeveloped venue will not only provide South Kintyre with an exceptional cinema, cultural and entertainment destination but also a combination of spaces and facilities complementing and working with a range of other venues in Campbeltown and across Argyll.</p> <p>The Picture House will be the catalyst for the next stage in Campbeltown's regeneration through developing a coordinated approach to programming and marketing the town's assets. It will be a year-round focus for young people, families, older residents and visitors to Kintyre.</p>
2	How much / many?	One facility (The Picture House)
3	What locations?	Campbeltown, South Kintyre, MAKI Area and Argyll and Bute
4	How does it relate to SOA and Council priorities?	<p>A diverse and thriving economy. Infrastructure that supports sustainable growth. People live active, healthier and independent lives. People live in safer and stronger communities.</p> <p>The project will contribute to this by creating a first class venue that becomes the hub for indoor entertainment serving the community and will attract people from across and beyond the area, helping grow the local economy and community and contribute to the built environment.</p>
5	Does it conflict with current and other projects?	No
6	Does it support other projects/initiatives?	Yes, supports the Council led heritage led regeneration of Campbeltown's historic town centre, i.e. CARS and THI and wider CHORD aims and objectives.
7	Can we do a SWOT analysis?	If required.

8	What is economic impact?	Increased economic activity especially in town centre. New employment. Increased visitor traffic in Kintyre. Knock-on benefit for other local businesses.
9	How many jobs created?	6 full time equivalent direct jobs created 8 full time equivalent indirect jobs created 3.75 per years construction jobs 145 non-vocational trainees

Governance Review

1	What is legal status of applicant?	Company Limited by Guarantee (SC106763) and Registered Charity (No. SC009499)
2	Is this confirmed?	Yes
3	Can it do this – does it have the powers?	CCB, as the owner of the Picture House, is responsible for the cinema project. The funders are supporting the project and have approved the work to proceed.
4	Have the board / org agreed?	Yes as per minute dated 13 April 2015. Copy attached.
5	Is it duly registered if required e.g. OSCR?	Registered Charity (No. SC009499)
6	Any related company / organisation?	None

Financial Review

1	Proposal:	To restore the `A` Listed Picture House to its 1930s glory as an `atmospheric cinema` and add contemporary facilities to enable the venue to operate successfully as a sustainable community-based business.
2	Costings provided?	Yes, costings have been provided throughout the project.
3	Have costings been verified?	Yes by the Project QS, Morham and Brotchie
4	Is funding in place?	There is a shortfall of £163,686 for the capital works, less than 5% of the total project cost. Historic Environment Scotland has just confirmed an additional £20,000. Fundraising is continuing targeting both corporate and individual's donations. Additional approaches are being made to HIE and the HLF and other smaller funders.
5	Any ongoing costs – is there an operating business plan?	Yes. We have a copy of the plan for the Stage 2 HLF submission. On the 17 th May we received a draft copy of the latest revision.

6	Profit and loss forecasts, cash flow forecasts and income and expenditure assumptions clear / supported?	Please refer to section 10 of the revised business plan.
7	<p>Proposer:</p> <ul style="list-style-type: none"> • Copy of annual accounts • Copy of 3 month bank statement • Copy of current year financial reports / management accounts • Copy of auditors report • Copy of budget proposals 	All received apart from the latest auditors report as this is not available yet.

Deliverability / Risk Review

1	Do we have business plan / business case?	Yes, copy of the latest version is attached.
2	Are the assumptions clearly stated and reasonable / supported?	Yes and approved by all other funders including Heritage Lottery Fund. Previously reviewed by Head of Strategic Finance
3	Who are the partners / advisers?	See Business Plan section 6 on page 19 on the new plan. The Stage 2 version has further information.
4	Are they sufficiently experienced?	Yes
5	Who are the directors / key people in the group?	Board consisting of 10 Directors. Chair is Jane Mayo. Project Manager is Ron Inglis.
6	Do they have relevant experience?	Yes
7	Have risks been clearly articulated?	Yes, see updated risk analysis on pages 34 to 38 of revised business plan
8	Have they set out their approach to managing risks?	Yes
9	Are risk assumptions and proposed risk management reasonable?	Yes

Benefits arising from the project

Economic benefits

- 6 full time equivalent direct jobs created
- 8 full time equivalent indirect jobs created
- 3.75 per year's construction jobs
- 30+ local businesses supported
- 3000+ tourist attendances
- 145 non-vocational trainees (heritage activities)
- 3 apprenticeships during construction
- 48% of operating turnover expected to be spent locally

Cultural benefits

- 7 days a week operation
- Diverse range of films, addresses many different audiences
- Live relays of major cultural performances (theatre, music, opera etc)
- Heritage interpretation activities (general public and schools)

Community benefits

- Prominent heritage building retained and able to be used in promoting tourism, attracting businesses and helping to retain population
- The most important cultural and entertainment venue in Kintyre
- A great sense of community achievement together with local jobs and increased local spend

ARGYLL AND BUTE COUNCIL

POLICY AND RESOURCES
COMMITTEE

DEVELOPMENT AND
INFRASTRUCTURE SERVICES

29 JUNE 2017

Rothsay Pavilion request for additional funding

1.0 EXECUTIVE SUMMARY

- 1.1 The purpose of this report is to request that the Council approves an additional financial underwriting of the Pavilion project of £1M following the recent return of tenders and subsequent value engineering exercise. This would bring the maximum contribution that the Council would be asked to make to the project to £5.689M.
- 1.2 Tenders for the Rothsay Pavilion Adaptive Restoration and Extension Works Contract were issued to four pre-qualified contractors on 6th February 2017 and returned on 24th March 2017. Following completion of the technical and commercial evaluations, all four returned tenders were significantly over budget, which resulted in a Value Engineering (VE) exercise being done in order to reduce costs. The VE exercise has been completed and other funders approached for additional funding, however a potential funding shortfall remains. Full financial details are detailed at Appendix 1.

2.0 RECOMMENDATIONS

The Policy and Resources Committee is asked to:

- 2.1 Note that the Rothsay Pavilion Adaptive Restoration and Extension Works Contract has been the subject of a competitive procurement exercise involving four tenderers.
- 2.2 Note that the following receipt of tenders a rigorous Value Engineering exercise was required to reduce costs.
- 2.3 Consider that following completion of the VE exercise a funding shortfall remains.
- 2.4 Recommend to Council that an additional financial underwriting of £1M be taken from the unallocated general fund which increases total underwriting to £3,620,000 taking the Council's maximum contribution to £5,689,000.

- 2.5 Notes that discussions are ongoing with key funding partners with a view to applying for additional funds, where possible.

ARGYLL AND BUTE COUNCIL

POLICY AND RESOURCES
COMMITTEE

DEVELOPMENT AND
INFRASTRUCTURE SERVICES

29 JUNE 2017

Rothesay Pavilion request for additional funding.

3.0 INTRODUCTION

- 3.1 The Rothesay Pavilion project comprises the comprehensive refurbishment of the grade A listed Rothesay Pavilion which is noted as being 'one of the most significant buildings of the style in the country' (Buildings at Risk register for Scotland). It is a building of national significance, a fact which was reinforced when it was recently voted as being in the top 10 of the top 100 Scottish buildings of the last 100 years.
- 3.2 The project will bring Rothesay Pavilion back into viable economic use by allowing a mix of new commercial, cultural and community activities to be provided within it. This will bring new life to this iconic building as well as stimulating wider regeneration and local economic activity. It is an integral part of the Council's CHORD initiative.
- 3.3 On completion the building will be managed by Rothesay Pavilion Charity (**RPC**) who will lease the building from the Council for a term of 25 years. The charity's board comprises a mix of people who live on the island or who have links to it. However, they have the necessary skills and experience to successfully manage and programme the Pavilion and to ensure it has a sustainable future.

4.0 RECOMMENDATIONS

The Policy and Resources Committee is asked to:

- 4.1 Note that the Rothesay Pavilion Adaptive Restoration and Extension Works Contract has been the subject of a competitive procurement exercise involving four tenderers.
- 4.2 Note that following receipt of tenders a rigorous Value Engineering exercise was required to reduce costs.
- 4.3 Consider that following completion of the VE exercise a funding shortfall remains.
- 4.4 Recommend to full Council that the Council provides an additional financial

underwriting of the project's capital costs of £1M, which increases total underwriting to £3,620,000 taking the Council's maximum contribution to £5,689,000.

- 4.5 Notes that discussions are ongoing with key funding partners with a view to applying for additional funds, where possible.

5.0 DETAIL

- 5.1 This project supports the Council's Economic Development Action Plan and Single Outcome Agreement by;

- Delivering a refurbished Grade A listed building which will act as a major cultural and heritage venue
- Providing a major visitor attraction with an anticipated 77,000 visitors in the first full year of operation
- Providing affordable office space for three SMEs and one social enterprise to grow their businesses and enhance their competitiveness
- Creating jobs
 - 10 created by RPC and 1 retained
 - Up to 15 created within a trading arm of RPC to run their commercial activities (bars, café and commercial hires)
 - 6 created within other SMEs hiring office space
- Training apprentices. Two apprenticeships will be created as a result of the works as follows;
 - Shop/gallery assistant
 - Venue/tech assistant

These apprenticeships will offer training in how to manage a major venue and it is hoped that they will translate into permanent jobs.

- 5.2 Four tenders were returned on 24th March. Following the technical and commercial evaluations, all tenders were above budget and none could be taken forward. A rigorous Value Engineering exercise was initiated and significant cost savings, which have been agreed with our major funders and RPC, have been identified. Members will wish to note that the extent of the costs savings will only be confirmed at the completion of the Re-Tendering exercise. However, it is highly likely that a funding shortfall will remain, which needs to be filled if the project is to proceed. The position has been discussed in detail with our major funding partners and applications for additional funding will be made to Heritage Lottery Fund (**HLF**), Historic Environment Scotland (**HES**) and European Regional Development Fund (**ERDF**) over the next two months with a view to funding decisions being made by September. RPC is also progressing a number of smaller funding applications to trusts and foundations and have committed to raising £400k over the next two years to contribute to the capital costs of the project.

Notwithstanding this additional funding effort it is however unlikely that the full shortfall will be funded by external funders and the Council will have to consider underwriting any remaining shortfall. All financial details concerning this are

contained in Appendix 1.

Options and Risks.

5.3 In preparation for the refurbishment works a significant strip out of the existing mechanical and electrical plant and equipment was undertaken. A number of internal finishes and fittings were also removed to enable asbestos removal works and key internal structural repairs. As a result of this the building is not suitable for occupation at this current time. The options that are therefore available to us are;

- Option 1 - Cancel the refurbishment and leave the building in its current unfinished state. Whilst this would save the capital costs associated with construction, there would be ongoing costs in relation to the security of the building and preventing it from further deterioration. This carries significant reputational risk for the Council given the buildings A listed status and its prominent location in the town. The following would also have to be considered;
 - The Council may have to repay some or all of the funding claimed to date that has been used to pay for strip out, asbestos surveys, associated design fees etc.
 - Important job opportunities would be lost to local people
 - Affordable business space for local SMEs would be lost
 - The wider regeneration and economic impact for the island would be lost.
 - Key funders such as Historic Environment Scotland and Heritage Lottery Fund may disapprove of such an approach and it will be important to consider their views as the Council is working in partnership with both these funders on other projects in Argyll and Bute.
- Option 2 - Only undertake those works that are necessary to make the building operational again. This again carries significant reputational risk for the Council and it is uncertain whether this would be affordable and/or represent value for money. New heating, plumbing and electrical systems would need to be installed as well as significant internal repairs. In such a scenario the existing windows and flat roofs would be left in their current condition with the potential for significant and ongoing water ingress which would cause further deterioration to the fabric of the building.
- Option 3 - Agree the £1m underwriting and continue to re-tender on the basis of the VE exercise recently completed whilst;
 - seeking to reduce costs wherever possible
 - increasing funding support from external partners wherever possible
 - providing additional Council underwriting thereafter up to a maximum contribution of £5,689,000

There is a level of contingency included within the project costs that should allow us to deal with unforeseen issues that may arise during the construction phase.

In the event of continuing the re-tender and insufficient funds are not forthcoming from other funders in addition to the £1m of council underwriting an additional report will be

presented to the council on further options for their consideration.

6.0 CONCLUSION

- 6.1 The Rothesay Pavilion Adaptive Restoration and Extension Works Contract has been the subject of a competitive procurement exercise involving four tenderers. However, following full evaluation of the tenders a VE exercise was necessary in order to reduce costs to meet the project's budget.
- 6.2 Following completion of the VE exercise and despite substantial savings being found that have been agreed by all funders of the project a funding shortfall remains and officers have been engaging with funding partners to endeavor to secure additional funding. This process is ongoing.
- 6.3 Officers have prepared a number of options with their associated risks for consideration by the committee. If the committee agrees with the Option 3 to address the funding shortfall a further underwriting commitment is currently required by the Council of £1M. This will take the Council's contribution to the project to a maximum of £5,689,000.

7.0 IMPLICATIONS

- | | | |
|-----|-------------------|---|
| 7.1 | Policy | This project forms part of the approved CHORD programme that supports outcomes 1,2 and 3 of the Single Outcome Agreement. Once completed and during the construction phase the Pavilion project will help to boost the local economy, create a key piece of modernised infrastructure that can be used by the local community and which can create employment opportunities for the people of Bute. |
| 7.2 | Financial | See Appendix 1 |
| 7.3 | Legal | None |
| 7.4 | HR | None |
| 7.5 | Equalities | Once completed the building will be fully DDA compliant |
| 7.6 | Risk | See section 4.3 |
| 7.7 | Customer Services | None |

Executive Director of Development and Infrastructure Pippa Milne

Policy Lead Cllr Gary Mulvaney

2nd June 2017

For further information contact: Peter McDonald, Rothesay Pavilion Project Manager. Tel 01700 501395. Mobile 07788 568156.

APPENDICES

Appendix 1

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