

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 Seaports for £20,000 of funding to go towards the preparation of a Full Business Case for the Kintyre Seaports 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 Seaports 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 Seaports 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.

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 Seasports partnership has requested £20,000 to assist with the preparation of a Full Business Case for the Kintyre Seasports 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 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.
 - 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 Seasports 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 Seasports 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 Seasports 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

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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