



PORT EDGAR MARINA & SAILING SCHOOL CUSTOMER UPDATE

Edinburgh Leisure's Board met on the evening of the 23rd of May to discuss a number of items, one of which was to consider Edinburgh Leisure's longer term future operation and management of the Port Edgar Marina & Sailing School. Having reviewed the significant levels of funding required to continue to operate the site beyond a 3 year period, the decision was taken to undertake a planned withdrawal from the operation and management of the Port Edgar Marina by the end of 2013/14. However it is Edinburgh Leisure's intention to retain a sailing school service from either Port Edgar or elsewhere in the City.

You will be aware of the Council's intentions in recent years to sell off some of the land around the site and utilise the funds from such a sale to redevelop the site as a whole. Over the last several years the Council had provided additional funds to Edinburgh Leisure to continue the operation of this site from three separate interim investment plans. These funds however simply ensured the continued operation of the site as much of the works focussed on essential maintenance and health and safety matters. However, as land values fell and the recession began to take hold of the economy, the Council's long term plans were no longer feasible.

Edinburgh Leisure then prepared an alternative proposal which was considered and approved by Edinburgh Leisure's Board, which the Council accepted, known as Edinburgh Leisure's 'Plan B'. This plan outlined specific actions which would either reduce expenditure or generate additional income, to help maintain the facility in an appropriate condition over the longer term whilst the economy and land values recovered.

The Plan B had 5 phases to it and the key aspects of the early phases were as follows: -

- Reduce water expenditure by detecting and repairing water leaks

- Install 24 additional berths

- Increase sailing school charges

- Install new and larger crane than existing

- Improve links with the Edinburgh International Climbing Arena (EICA) to increase income

Water costs have been significantly reduced. The installation of the additional berths was achieved resulting in additional income, although the cost for their installation was higher than first anticipated due to difficult drilling conditions. The sailing school charges did not however achieve their targets, specifically from the adult courses. The crane purchase stalled and Edinburgh Leisure incurred a loss of approx. £32,000, when the crane manufacturer went bust. An alternative crane manufacturer has been found however the new costs for the installation of a crane would require a payback period of over 5 years. The links with the EICA have increased income levels in combined activity courses.

The Scottish Government subsequently announced that a new bridge would be constructed over the Firth of Forth and in recent weeks Edinburgh Leisure has been made aware of their intention to

purchase/lease some areas within the site for the associated construction work. Edinburgh Leisure has requested an urgent meeting with the appropriate organisations to ascertain the implications of their intentions in both the short and longer terms. However this current uncertainty does not help Edinburgh Leisure's planning processes. Significant disruption can be expected to the site and surrounding areas over a period of years during the construction of the bridge and associated road networks and this too will no doubt affect income and usage levels.

Meanwhile, condition surveys of the facilities operated by Edinburgh Leisure, were undertaken and not unsurprisingly given their age, significant work was identified which will be required to the facilities to maintain them in an operational condition over the longer term. Such work is estimated to cost approximately £500,000 over a period of 3 years.

Similarly, the infrastructure of the site will require significant investment of approximately £2 million should it be expected to operate beyond a 3 year period. The pontoon network will need to be replaced, other works are required to the water pipework, the crane will need to be replaced and so on.

Such levels of investment of approx. £2.5 million are unable to be met by either Edinburgh Leisure or the Council. Discussions have therefore taken place with the Council about the implications of this current financial position on the future of the site and it is recognised that attempts must be made to secure a long term financially viable solution for the site. This is not an exercise by either Edinburgh Leisure or the Council to reduce expenditure levels but an acknowledgement that to ensure the long term feasibility of the site as an operational Marina and Sailing School, that alternative funding methods have to be found from external sources.

Edinburgh Leisure's Board were therefore asked to consider a withdrawal from the site by the end of 2013/14 to allow the Council, who own the site, to actively seek alternative methods of developing the site. Edinburgh Leisure has specifically indicated a wish to continue to operate a sailing school either at the current site or elsewhere around the City as the provision of such a service is part of Edinburgh Leisure's core business and purpose. Edinburgh Leisure's Board agreed with such a recommendation. The installation of a new crane will also not now proceed given Edinburgh Leisure's intention to withdraw from the Marina in the next 3 years as the costs of the purchase and installation of the crane could not be recovered within that period.

The Council will be formally advised of Edinburgh Leisure's position and the Council will now consider how best to ensure the future of the site by attracting an independent developer within the timescale Edinburgh Leisure has established as being the planned period of withdrawal.

Edinburgh Leisure will therefore begin to plan for a withdrawal from the management of the Marina by the end of 2013/14 and will continue to consult and advise all of the relevant stakeholders as matters progress. Edinburgh Leisure intends to work closely with any potential future developer/operator and ensure that the interests of our customers are fully considered throughout the process.

Neil Brown, Director of Customer Operations - 24th May 2011