NORTH YORKSHIRE COUNCIL

AUDIT COMMITTEE

15 DECEMBER 2025

SCARBOROUGH WATERPARK INTERNAL AUDIT REVIEW

1.0 PURPOSE OF THE REPORT

1.1 To provide Members with the opportunity to consider the findings of the review undertaken by internal audit of the decision taken by Scarborough Borough Council to grant a loan to finance the construction of the Scarborough Waterpark.

2.0 BACKGROUND

2.1 The former Scarborough Borough Council approved the granting of a loan of £9m to Benchmark Leisure Limited in September 2013, to help finance the construction of a new Waterpark. The Waterpark was a key element of a regeneration project in the North Bay area of Scarborough. The Council had identified the need to provide a 'principal visitor attraction' to support the local tourism economy and to bring growth, jobs and further investment into the area.

2.2 Construction of the Waterpark commenced in early 2015 and the venue opened to the public in July 2016. The Waterpark cost £14.4m to build with £5.4m of funding provided by Benchmark Leisure Limited. Benchmark arranged for a separate company, Alpamare UK Limited, to operate the Waterpark. Within two years of the Waterpark opening, Alpamare UK Limited entered into a company voluntary agreement with its creditors. From April 2019, Benchmark ceased to make regular loan repayments to the Council and the Council therefore had to take legal action to recover the outstanding debts. Benchmark Leisure Limited announced the temporary closure of the Waterpark on 12 October 2023 and the company then entered into administration on 20 October 2023. As a result of this, the lease between the Council and Benchmark for the Waterpark ended and the Council secured full possession of the site. The Council was owed approximately £7.9m by Benchmark at this time but retained ownership of the asset.

2.3 Internal audit was asked to undertake a fact-finding review to establish the adequacy of the decision-making process followed by Scarborough Borough Council to approve the loan and, if possible, the reasons why the risks relating to the loan were not properly identified and mitigated. The objectives of the audit were to establish:

- the chronology of events associated with the decision to approve the loan up to the date that the Waterpark closed, and Benchmark Leisure Limited entered into administration
- the rationale for the loan, the information which was provided to Councillors as part of the decision-making process and the manner in which the loan was approved

- the actions of officers and Councillors in the decision-making process
- the adequacy of the risk identification and mitigation measures
- any lessons learned for future regeneration projects of this nature

3.0 REVIEW AND FINDINGS

3.1 Following completion of the fieldwork, the final audit report was issued on 13 August 2025. The report was then published by the Council on 19 August. A member briefing was held the day before publication to provide members with an opportunity to hear the findings and ask questions. **Appendix 1** provides a summary of the conclusions and a link to the published report.

3.2 The report recommended that the lessons from this review should inform the Council's decision-making processes for any future regeneration projects. In particular, there was a need to effectively identify, report and mitigate potential risks to the achievement of project objectives, and to adequately balance potential risks and rewards.

3.3 The Audit Committee initially received the report at its September 2025 meeting but determined that a more detailed discussion of the findings and conclusions was required before any decision could be taken on the next steps.

4.0 IMPLICATIONS

4.1 This report is for information only. There are no local member, financial, human resources, legal, equalities or climate change implications.

5.0 RECOMMENDATIONS

5.1 Members are asked to consider the findings of the review into the decision taken by Scarborough Borough Council to grant a loan to finance the construction of the Waterpark and to recommend that the review is treated as a 'lessons learned' exercise in respect of the Council's current decision making processes.

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