

North Yorkshire Council

Audit Committee

16 March 2026

Scarborough Waterpark Internal Audit Review

Report of the Corporate Director of Resources

1.0 PURPOSE OF REPORT

- 1.1 To provide a summary of the Committee's discussion on 15 December 2025 in order to produce a consolidated view that can be shared publicly and to present recommendations for consideration by the Committee to ensure that lessons are learned.

2.0 BACKGROUND

- 2.1 A report outlining the background to the review, together with the findings of the internal audit, was presented to the Audit Committee on 15 December 2025.
- 2.2 During that meeting, the Committee considered the item in exempt session, during which Members sought clarification on a number of points and discussed how the findings should be taken forward. Following discussion, the Committee resolved to defer the item to the meeting on 16 March 2026 and requested that officers prepare an updated public report summarising the issues raised and presenting a formal recommendation.

3.0 AUDIT COMMITTEE, 15 DECEMBER 2025 – DISCUSSION

- 3.1 The following key points were raised during the Committee's discussion, but it needs to be recognised that Members who expressed views had different perspectives and degrees of involvement in SBC business. The following issues were raised and are followed by a comment relating to NYC in a spirit of learning from the events relating to the waterpark arrangements (in italics).

- Questions were raised about whether all Scarborough Borough Council (SBC) Councillors were sufficiently informed rather than just Members of SBC's Cabinet.

NYC holds regular Members Seminars, Overview and Scrutiny Committee discussions and Group Leader briefings where issues of significant political interest are identified. While the Executive are more involved in day to day Council activity there is a recognition that officers have an obligation to keep all Members updated. This has been evidenced in other NYC schemes e.g. Kex Gill major scheme.

- It was commented that there was insufficient identification of risk and scrutiny of a decision that was committing significant sums of public money . Some Members expressed concern that the report presented to SBC's Full Council contained no officer recommendations.

Officers recognise that recommendations and key risks should always be reported to Members in order to ensure that all are aware of relevant matters in decision making. Evidence was provided of examples where loans have been considered by NYC, but provision has been made in the event that the loan is not repaid and this treatment has been recommended to Members when such arrangements are being considered.

Reports are always to be made on a prudent basis and optimism bias should be resisted.

- Concerns were expressed by some regarding the potential for convoluted land transactions in the future, and Members emphasised the importance of avoiding such arrangements where possible.

Complex deals will always require adequate support and due diligence. It is recognised that risks will often rise with complexity and, as such, it is essential that risks are explicitly flagged with decision makers – officers and Members.

- 3.2 It was noted that the circumstances relating to this case differ from current major projects. SBC was not intended to deliver the project directly, as the arrangement was structured as a loan. In contrast, North Yorkshire Council is actively involved in the delivery of all its major projects.

NYC has greater capacity to manage some schemes from internal resources. However, it is essential that due diligence is carried out and schemes that are more complex are subjected to specialist review and assessment. Even then it is clear that NYC, as a client, needs to suitably understand the structuring of any commercial arrangements including the risks. In cases where that is not the case then the Council should not proceed.

4.0 LESSONS LEARNED

- 4.1 From the key points raised during discussion, the following potential lessons have been identified.

1. Councillors should be appropriately informed throughout the decision-making process to support transparency and accountability.
2. Complex commercial arrangements should be subject to significant due diligence and the Council should receive assurance such that it can manage the arrangement and be aware of the inherent risks.
3. Both pre-decision and post-decision scrutiny should be sufficiently robust to ensure effective oversight of significant decisions.
4. Risks associated with proposed decisions should be clearly identified and communicated by officers so that decision-makers are fully informed before reaching conclusions.
5. Decision-makers should remain mindful that loan arrangements inherently carry a degree of financial risk and suitable provision should be made.
6. Reports should contain clear officer recommendations, underpinned by a balanced and objective assessment of the associated risks.
7. Officers should provide appropriate professional challenge in all cases where required regardless of political preferences.
8. The Council should ensure that sufficient resources and specialisms are deployed to support commercial arrangements. In the event that no such resource can be secured (either internally or from the market) then the arrangements should not proceed.

5.0 REASONS FOR THE RECOMMENDATION

5.1 The proposed recommendation enables the Committee to formally recognise the lessons identified in Section 4 of the report and ensure that they are incorporated into current decision making and project management practices.

6.0 IMPLICATIONS

6.1 There are no financial, legal, equalities and climate change implications arising out of the recommendation.

7.0 ALTERNATIVE OPTIONS CONSIDERED

7.1 Members may choose to identify additional lessons arising from the discussion and request that these be incorporated into the final set of lessons learned.

7.2 Members may determine that there is no requirement for the Audit Committee to formally recognise the lessons arising from the Scarborough Waterpark internal audit review.

8.0 RECOMMENDATION

- a) That the Committee considers the content of this report as a reflection on possible lessons learned that can be considered by North Yorkshire Council following the closure of the Alpamare waterpark under an arrangement previously negotiated by Scarborough Borough Council with Benchmark Limited.
- b) That the Committee recommend to the s151 Officer and Monitoring Officer that the lessons learned as set out in Section 4 of this report are incorporated into decision making and commercial contracting arrangements.

APPENDICES

Appendix A – Scarborough Waterpark Internal Audit Review

BACKGROUND DOCUMENTS:

Audit Committee, 15 December 2025 – Minute 239: Scarborough Waterpark Internal Audit Review (Confidential)

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5 March 2026

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