

## Rother District Council

**Report to:** Cabinet

**Date:** 27 July 2020

**Title:** Bexhill Leisure Facilities operation and development

**Report of:** Ben Hook – Head of Service – Acquisitions, Transformation and Regeneration  
Joe Powell – Head of Service – Housing and Community

**Cabinet Member:** Councillor Brewerton

**Ward(s):** All

**Purpose of Report:** To determine the future of leisure provision and facilities in Bexhill

**Decision Type:** Key

### Officer

**Recommendation(s):** It be **RESOLVED:** That:

- 1) the Bexhill Leisure redevelopment project be suspended;
- 2) a new leisure services contract be procured for the period March 2021 up to March 2024;
- 3) the Council continues to support Freedom Leisure with financial support - detailed at Confidential Appendices B and C - and support the mobilisation of leisure services across the three sites from August 2020 until March 2021;
- 4) a specification be developed for a modest refurbishment of the existing centres to be agreed at a later meeting;
- 5) the housing development on the site be continued and progressed, including work required to develop and submit a reserved matters planning application for the rear of the site; and
- 6) the land acquisition and Compulsory Purchase Order be progressed where necessary.

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### Introduction

1. The 'Development of Former Bexhill High School site' is a Corporate Plan priority project consisting of a new leisure centre and housing.

2. Given the COVID-19 pandemic and the impact on leisure facilities and Council finances, Cabinet resolved that the project Steering Group review the current situation and options available for leisure provision (Cabinet CB20/13 refers).

### **Steering Group review**

3. A Steering Group meeting was held remotely on 25 June 2020, to which all Council Members were invited to join.
4. The information provided to the Steering Group for review was:
  - a. A report on the position of the current operator, including the financial implication of two scenarios:
    - i. operating the Bexhill facilities from 1 April 2021 until a new-build facility is delivered on the existing leisure centre site
    - ii. operating the Bexhill facilities in their current condition for three years from 1 April 2021
  - b. A report on the project status, including land assembly, planning policy, outline planning position, potential capital funds and borrowing requirements, and high-level benefits and implications analysis of four options.
5. Each Steering Group Member provided their comments on the impacts of COVID-19 on current and future leisure provision, the project status, the planning position and the options for a way forward.

### **Options**

6. The four options reviewed by the Steering Group were:
  - a. Option 1: delivery of a new-build facility on the existing or an alternative site
  - b. Option 2: major refurbishment of the existing facilities
  - c. Option 3: continue with the existing facilities in their current condition (the 'do nothing' option)
  - d. Option 4: do not retender the contract and close the Bexhill facilities
7. Each option was analysed for economic, environmental, social and strategic benefits and implications. Appendix A provides detail on the analysis of each option, as presented to the Steering Group and Appendix B provides a summary of the financial forecast supplied by the existing operator.
8. The current operational contract is 'nil fee', it has been expected that this will no longer be viable beyond March 2021. Therefore, savings will have to be found in the Council's revenue budget in order to offset this cost.

### **Recommendation of the Steering Group**

9. Following an open discussion, the recommendation of the Steering Group is that the Council should not rebuild or carry out a major refurbishment of the centres at this moment in time but undertake a modest programme of refurbishment with a view to seeking a new contract. Given the unknown financial implications of

COVID-19 on the economy generally and the leisure sector in particular, the Council should be mindful not to undertake a significant investment with the funding source being unknown and not relied upon. The Council would continue to review leisure requirements in the longer-term, including the possibility of a new facility as demand for leisure services and the financial climate becomes clearer. The recommendation also ensures that the proposed housing strategy for the site continues.

## **Financial Support**

10. In April 2020 in consultation with the Leader of the Council, the Executive Directors to the Council made the decision to provide Freedom Leisure with financial support under delegated powers (Officer Executive Decision 003 (OED003). The decision taken was to provide Freedom Leisure with up to £38,000 per month to meet the financial gap in their revenue brought about by the closure of leisure centres across England, due to the Covid-19 Pandemic. The authority was time limited until the leisure centres became operational again.
11. Freedom Leisure has notified the Council that they expect to reopen on the 25th July 2020 following the Government lifting some of its restrictions preventing leisure centres and pools from operating. Members should note that many restrictions will still be in place and the number of customers Freedom Leisure can accommodate will affect their revenue income in the short to medium term.
12. Confidential Appendix B details the financial modelling Freedom Leisure has provided in order to operate the contract under the COVID-19 restrictions during the period August 2020 and March 2021. Members should note that the total financial support provided to Freedom Leisure by the Council will include additional payments from April to July 2020 to cover the period in which the centres have been closed – see Confidential Appendix C. It should also be noted that the final value of these payments is subject to reconciliation as part of the open book accounting arrangement between the Council and Freedom Leisure.
13. The Council is finalising the terms under which financial support payments are being reconciled presently as well as the terms under which future payments will be made between August 2020 and March 2021. The agreement will be in line with Public Procurement Notices that have been produced by Government to support such financial support packages between local authorities and their leisure services providers through the COVID-19 Pandemic and the recovery phase. It is the intention of the Council to include within the agreement clawback clauses.
14. This situation means that there will remain a significant financial gap within the Freedom contract, albeit with modelling that indicates a month on month reduction in the financial support required. Without the Council's continued financial support, the contract between Freedom Leisure and the Council is unlikely to remain viable and the Council would need to explore alternative options to deliver leisure centre services, all of which entail their own challenges.

15. Members should note that the financial modelling provided should be treated with caution as it is not possible to predict accurately the number of customers that will attend the leisure centres as restrictions are lifted. The Council will continue to monitor Freedom Leisure's financial position on a monthly basis, in consultation with the Leader and Portfolio Holder for Health and Wellbeing.

## **Conclusion**

16. Due to the uncertainty of the long-term impact of COVID-19 on the leisure industry and the operation of leisure facilities, the Steering Group agreed that the project, whilst not being abandoned, should be put on hold until there is more clarity.
17. In so doing, officers will need to procure a new contract to maintain existing leisure services up to 31 March 2024.
18. The Steering Group agreed that housing delivery is a priority, therefore the necessary land acquisition and planning permissions for the residential development to the north of the existing leisure centre are to progress. This is to be done in such a way to ensure that no constraints are built in which may impede on the potential for a new-build leisure centre on this site in the future.

## **Financial Implications**

19. The recommendations of this report enable the capital reserves to be protected until the Council decides whether to invest in the redevelopment of the centres in Bexhill. Alternatively, this will free up previously allocated capital funds for alternative investment proposals or to reduce the overall borrowing requirement of the Council. All options retaining leisure facilities in Bexhill carry revenue costs likely to be in the region of £220,000 to £285,000 per year (excluding any capital investment).
20. The costs of any mitigation work to the existing highway, any financial contributions and the access itself would be borne by the residential development, impacting upon viability, in particular the provision of Affordable Housing.
21. The total value of financial support that could be provided by the Council to Freedom Leisure is detailed at Confidential Appendices B & C.

## **Legal Implications**

22. Legal advice has been sought in relation to the procurement of the new contract. An operator can be appointed on the basis of a three year agreement whilst ensuring compliance with public procurement rules as the estimated value is under the threshold of the Concession Contracts Regulations 2016; and the Council's own Procurement Procedure Rules by the completion of an exemption report approved by an Executive Director and the Chief Finance Officer.

Comprehensive support and advice for this process will be provided by the legal and procurement services to ensure compliance.

### Human Resources Implications

23. If a new contract cannot be awarded, Rother District Council will have responsibility for either employment of the staff or the costs of redundancy

### Environmental Implications

24. Retaining and operating the existing facilities with modest refurbishment will significantly hinder the Council's ability to reach its 2030 net carbon zero target.

### Crime & Disorder Implications

25. The site and adjacent building, in recent years, is attracting vandalism and graffiti due to the partly derelict appearance.

### Other Implications

26. Retaining and operating the existing facilities will not deliver the Council's adopted planning policies to create a single-site facility in the allocated location for which a need has been demonstrated.
27. Access provided for the residential development needs to be designed to accommodate any future new leisure centre, being suitable for all vehicle movements anticipated for the whole development, including all cars going to the leisure centre and potentially coach drop-offs. This could require the access to be over-engineered for a residential scheme.

Other Implications	Applies?	Other Implications	Applies?
Human Rights	No	Equalities and Diversity	No
Crime and Disorder	Yes	Consultation	No
Environmental	Yes	Access to Information	No
Sustainability	No	Exempt from publication	No
Risk Management	No		

Executive Director:	Dr Anthony Leonard
Proper Officer:	Ben Hook – Head of Service, Acquisitions, Transformation & Regeneration; then passed to Joe Powell – Head of Service, Housing & Community to manage the procurement
Report Contact Officer:	Cheryl Poole
e-mail address:	Cheryl.poole@rother.gov.uk
Appendices:	A Leisure options analysis
Relevant Previous Minutes:	CB20/13 CB19/107 OSC19/54 CB19/98 PL19/93 CB19/32 CB17/16
Background Papers:	None.

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Reference	None.
Documents:	

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## Appendix A

### 1. A: New build facility at the BLC site:

This option requires major budget allocation for consultancy, design and construction works, delivering a modern leisure and wellbeing facility.

Impact factor	Benefits	Implications
<b>Economic</b>	<ul style="list-style-type: none"> <li>Reduction/removal of repair costs (c£200k)</li> <li>Support local economy (attracting residents and businesses to Bexhill)</li> <li>Potential income from operator to go towards financing c£200k)</li> </ul>	<ul style="list-style-type: none"> <li>Major capital budget required</li> <li>Financing repayments (c£400k)</li> <li>Land acquisition required (possible CPO)</li> <li>Operator income loss whilst works underway</li> <li>Covid-19 impact may hamper ability to attract income to cover costs</li> </ul>
<b>Environmental</b>	<ul style="list-style-type: none"> <li>Potential for net zero carbon</li> <li>Supports RDC environmental targets</li> <li>Supports national environmental targets</li> </ul>	<ul style="list-style-type: none"> <li>Short-term construction impact</li> </ul>
<b>Social</b>	<ul style="list-style-type: none"> <li>Centrally located between two most deprived wards</li> <li>Increase access to health activity</li> <li>Increase participation – attract new users to new centre</li> <li>Decrease health inequalities</li> <li>Affordable housing on site</li> </ul>	<ul style="list-style-type: none"> <li>Short-term interruption in access whilst works underway</li> <li>Lack of financial priorities perceived by non-users</li> </ul>
<b>Strategic</b>	<ul style="list-style-type: none"> <li>Complies with DaSA Policy BEX4 (wet &amp; dry facility at allocated site)</li> <li>Delivers adopted corporate plan project</li> <li>Regeneration of long-standing derelict site at key gateway to Bexhill</li> <li>Delivers Outline Planning approval</li> <li>Opens site for housing development</li> </ul>	

## B: New build facility at an alternative site:

This option requires major budget allocation for consultancy, design and construction works, delivering a modern leisure and wellbeing facility.

Impact factor	Benefits	Implications
<b>Economic</b>	<ul style="list-style-type: none"> <li>• If site clear and owned by RDC, no land acquisition for leisure development</li> <li>• No loss of income for operator of existing sites whilst works underway</li> <li>• Possible operator income (c£200k) &amp; operational savings (c£200k)</li> <li>• Support local economy</li> </ul>	<ul style="list-style-type: none"> <li>• Major capital budget required</li> <li>• <i>If site not owned by RDC, land acquisition cost</i></li> <li>• Financing repayments (c£400k)</li> <li>• Costs of mothballing BLC building</li> <li>• Covid-19 impact may hamper ability to attract income to cover costs</li> </ul>
<b>Environmental</b>	<ul style="list-style-type: none"> <li>• Potential for net zero carbon</li> <li>• Supports RDC environmental targets</li> <li>• Supports national environmental targets</li> </ul>	<ul style="list-style-type: none"> <li>• Short-term construction impact</li> </ul>
<b>Social</b>	<ul style="list-style-type: none"> <li>• Increase housing availability, including affordable</li> <li>• Continued access to existing facilities whilst construction off site underway</li> <li>• Increase access to health activity</li> <li>• Increase participation – attract new users to new centre</li> <li>• Decrease health inequalities</li> </ul>	<ul style="list-style-type: none"> <li>• Lack of financial priorities perceived by non-users</li> <li>• New location may not be centrally located</li> </ul>
<b>Strategic</b>	<ul style="list-style-type: none"> <li>• Support increase housing supply</li> </ul>	<ul style="list-style-type: none"> <li>• Failure to deliver planning policy DaSA BEX4</li> <li>• Take up another site earmarked for employment and regeneration</li> <li>• High density housing at key town gateway</li> <li>• Leaves allocated site derelict at key gateway</li> </ul>

## 1. Retender leisure contract with refurbishment of both existing facilities:

This option would require significant budgets for consultancy, design and construction works, with two sites to operate, allowing the building fabric and fit-out to be brought up to better standards (e.g. roof replacement, internal layout reconfiguration, replacement plant, redecoration).

Impact factor	Benefits	Implications
<b>Economic</b>	<ul style="list-style-type: none"> <li>• No demolition costs</li> <li>• Potential reduced requirement for borrowing (funding gap decrease)</li> <li>• Reduction in repair and maintenance costs</li> </ul>	<ul style="list-style-type: none"> <li>• Retrofit costs (complex refurbishment on old building) – major funding required</li> <li>• Refurbishment not long-term solution to building fabric deterioration</li> <li>• Loss of income for operator whilst works underway</li> <li>• Two sites not attractive for future operators</li> </ul>
<b>Environmental</b>	<ul style="list-style-type: none"> <li>• Possible longer-term reduction in carbon emissions if refurbishment includes energy efficiency</li> </ul>	<ul style="list-style-type: none"> <li>• Short-term refurbishment impact</li> <li>• Two sites remain inefficient to run and for users to travel between two facilities.</li> </ul>
<b>Social</b>	<ul style="list-style-type: none"> <li>• Maintain current level of access with improved internal environment</li> </ul>	<ul style="list-style-type: none"> <li>• Short-term interruption in access whilst works underway</li> <li>• Unlikely to attract new users and contribute to decreasing inactivity and health inequalities</li> </ul>
<b>Strategic</b>	<ul style="list-style-type: none"> <li>• Reduce resource requirements for overseeing refurbishment as opposed to new build</li> </ul>	<ul style="list-style-type: none"> <li>• Failure to deliver planning policy DaSA BEX4</li> <li>• Failure to deliver on adopted corporate plan</li> <li>• Requirement to run an operator procurement exercise for contract start 1 April 2021</li> <li>• Resource required for communications: M&amp;S s106 monies were for leisure facilities</li> </ul>

### 3. Retender leisure contract without refurbishment:

This option assumes carrying on with the facilities in their current state, with a similar operation contract in place – the ‘do nothing’ option. Details on costs obtained from Freedom Leisure are contained within the HOS for Housing & Communities report.

Impact factor	Benefits	Implications
<b>Economic</b>	<ul style="list-style-type: none"> <li>• No short-term major capital outlay for land, design or construction</li> <li>• No short-term risk to Council’s capital reserves or borrowing</li> </ul>	<ul style="list-style-type: none"> <li>• Return to increased revenue expenditure for operational contract c£100k p/a</li> <li>• Increased repair and maintenance costs c£80k p/a</li> <li>• Operator outlay increases, impacting future contract costs</li> <li>• Costs for carbon offsetting</li> </ul>
<b>Environmental</b>	<ul style="list-style-type: none"> <li>• No short-term construction impact</li> </ul>	<ul style="list-style-type: none"> <li>• Continued high carbon emissions</li> <li>• Total failure to contribute to RDC environmental targets (zero carbon by 2030 pledge)</li> <li>• Total failure to contribute to national environmental targets (zero carbon by 2050)</li> </ul>
<b>Social</b>	<ul style="list-style-type: none"> <li>• Uninterrupted access to current facilities</li> <li>• Access to sport and fitness activities maintained</li> </ul>	<ul style="list-style-type: none"> <li>• Current facilities unable to offer range of activities in demand (flexible, adaptable space)</li> <li>• Unlikely to attract new users and contribute to decreasing inactivity and health inequalities</li> </ul>
<b>Strategic</b>	<ul style="list-style-type: none"> <li>• No resource required for project delivery</li> </ul>	<ul style="list-style-type: none"> <li>• Increased resource for maintenance and repairs</li> <li>• Requirement to run an operator procurement exercise for contract start 1 April 2021</li> <li>• Failure to deliver planning policy DaSA BEX4</li> <li>• Failure to deliver on adopted corporate plan</li> <li>• Resource required for communications: M&amp;S s106 monies were for leisure facilities</li> <li>• Tied in to Ravenside lease until 2059</li> </ul>

#### 4. No retender of leisure contract: close leisure facilities at end of current contract

This option would result in no sport, fitness and swimming facilities in Bexhill.

Impact factor	Benefits	Implications
<b>Economic</b>	<ul style="list-style-type: none"> <li>• No major capital outlay</li> <li>• Sell land – capital receipt</li> <li>• No revenue expenditure</li> </ul>	<ul style="list-style-type: none"> <li>• Cost for keeping operational until lease surrender date (as clause states BLP must stay open) c£160k p/a</li> <li>• Failure to support local economy (attracting residents and businesses to Bexhill)</li> <li>• Cost for operator redundancies at BLC £100k</li> </ul>
<b>Environmental</b>	<ul style="list-style-type: none"> <li>• No environmental impact of buildings</li> </ul>	<ul style="list-style-type: none"> <li>• Increased environmental impact of residents travelling out of town for leisure activity</li> </ul>
<b>Social</b>		<ul style="list-style-type: none"> <li>• Failure to provide access to health and fitness activities</li> <li>• Decrease in participation, impacting health of residents</li> <li>• Increase in health inequalities</li> </ul>
<b>Strategic</b>	<ul style="list-style-type: none"> <li>• No resource for project delivery or operator procurement and management required</li> </ul>	<ul style="list-style-type: none"> <li>• Lease clause requires BLP to stay open</li> <li>• Failure to deliver planning policy DaSA BEX4</li> <li>• Unable to meet leisure provision requirements as per Leisure Facilities Strategy</li> <li>• Failure to support regeneration objectives</li> <li>• Resource required for communications: M&amp;S s106 monies were for leisure facilities</li> <li>• Reputational damage</li> </ul>

### Estimated capital and revenue costs for leisure options

Option	Estimated Capital requirement	Operator fee Years 1-3 (2021/22-2023/24)	Estimated Revenue requirement (per annum)	
Option 1 (a and b: newbuild)	£15,525,000	£583,375	Repayments on shortfall (40 years) Probable operator income <b>Net revenue cost</b>	£440,000 <b>(£200,000)</b> <b>£220,000</b>
Option 2 (refurbishment of both sites)	£8,000,000*	£580,000 As both centres would require temporary closure whilst works underway	Repayments on shortfall (40 years) Operator nil fee likely Repairs and maintenance <b>Net revenue cost</b>	£265,000 £0 £20,000 <b>£285,000</b>
Option 3 (maintain status quo) With plant/structural remedial works to ensure fit safe, legal and fit for purpose	£2,000,000**	£340,100	General repairs and maintenance Operator annual fee – long term <b>Net revenue cost</b>	£80,000 £150,000 <b>£230,000</b>
Option 4 (close centres)	£0	£100,000	<u>Whilst facilities in RDC ownership</u> Site safety Ground rent (BLP) Business rates (after 6 months) BLP Business rates (after 6 months) BLC <b>Net revenue cost: for empty buildings</b>	£10,000 £25,000 £65,000 £75,000 <b>£175,000</b>

\*Option 2 (refurbishment) based on a recent refurbishment of Caldicot Leisure Centre, which had been estimated at £6m, but in January 2020 costs were coming in closer to £8m for major improvements at just one site.

\*\*Option 3 (maintain facilities in current condition) will still require major investment for heating/lighting replacement, plant and potential roof replacement to ensure the building fabric is safe, legal and fit for purpose if to be operated for another 10-15 years.

**NB: costs for capital works are high-level estimations and cannot be ascertained until detailed design and specification work has been undertaken.**