

Brighton & Hove City Council

Appendix E Overview and Scrutiny Committee Place

Subject: Call-in request: King Alfred Leisure Centre Regeneration Project

Date of meeting: 12 August 2024

Report of: Cabinet Member – Sport and Recreation

Contact Officer: Name: Corporate Director City Services

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Ward(s) affected: All

Key Decision: No

For general release

1. Purpose of the report and policy context

- 1.1 This paper sets out a response to the points raised by councillors in their request to call in the decision on item 29 of the 18 July 2024 cabinet meeting (King Alfred Leisure Centre Regeneration Project) on the basis of *'the absence of sufficient evidence on which to base a decision'* (Council Constitution: Overview and Scrutiny Procedure Rule13.1.2).

2. Recommendations

That Overview & Scrutiny Committee:

- 2.1 Considers the responses set out in section 3 below to the call-in request.

3. Context and background information

Background to the call in request

- 3.1 At its meeting on 18 July 2024, Cabinet considered a paper from the Cabinet Member - Sport and Recreation setting out proposals for the regeneration of the King Alfred Leisure Centre. The paper was informed by a detailed programme of work undertaken over the last two years. A key part of that work was the development of an HM Treasury Green Book business case to comprehensively examine and evaluate the investment options. The business case was shared with Cabinet Members but for reasons of commercial sensitivity is exempt from publication pursuant to Schedule 12A Local Government Act 1972, paragraph 3 (Information relating to the financial or business affairs of any particular person).

- 3.2 The business case was complemented by an extensive site search, a thorough examination of the legal and planning matters for each site, and a wide-ranging programme of resident engagement. The outcomes of all of those pieces of work were considered by Cabinet in formulating their decision. Cabinet agreed the principal recommendation to develop a new facility on part of the existing site and agreed the supporting recommendations relating to the budget approval and delegated authority so that the project may progress.

Responses to the points raised in the call in request

- 3.3 The call-in request sets out 5 points, of which points 1, 3, 4, and 5 are specific questions. Point 2 is not a question but is instead a statement introducing point 3. Responses to the four substantive points are given below.

Point 1: Evidence provided in the paper (Item 29) to Cabinet on 18th July was very high level and was in and of itself insufficient for members to fully understand the decision.

- 3.4 The Part 1 paper presented to Cabinet represented a detailed report providing all the necessary information that members would need to inform their decision-making process.
- 3.5 The report explained the economic factors and financial viability for each option, along with an explanation of the wider considerations that informed the paper's recommendations. The two appendices attached to the report provided more detail in the public domain on the business case.
- 3.6 In specific terms, the main body of the report set out:
- a detailed explanation of the physical and practical constraints that limit the extent to which refurbishment of the existing building could deliver a satisfactory modern facility to meet the requirements set out in the Sports Facilities Investment Plan (SFIP) (paras 3.3 - 3.6)
 - an explanation of the Green Book approach to investment appraisal (4.1 – 4.4) setting out how the benefit cost ratios (BCRs) are derived, together with a tabulated summary of the economic costs and benefits for each option supported by explanatory text (4.5 - 4.6)
 - an explanation of other (non-economic) factors that members would need to consider in taking a decision, notably planning policy, legal considerations, and the results of public engagement (4.7 and 5.1 - 5.8)
 - a detailed explanation of the financial viability of each option, with outline build costs and borrowing costs (4.8 – 4.16).
- 3.7 The report also provided an overview of the equalities implications (8.1 - 8.5) reflecting the very detailed equalities impact assessment (EIA) that had

been produced, which was also considered in member's decision making process. In addition, the main report was accompanied by two appendices which provided respectively:

- a summary of the reference case, providing additional detailed information on the practical limitations to refurbishing the facility. This document set out more about the history of the facility and its extension in the 1980s to explain why the current facilities are compromised by the legacy of the building's original design. The appendix explains how those compromises affect the use and operation of the facility today and makes clear why these issues can only be properly addressed through replacement.
- a summary of the site search process. The appendix described in detail the extensive work undertaken to identify potential alternative sites, including 'expressions of interest' process through which officers had engaged with developers and landowners. This document provided examples of the sites considered and outlined why they were unsuitable.

3.8 The paper presented to Cabinet was further complemented by a 'part 2' paper which featured as an appendix the complete business case report. This had been developed by consultants Continuum Sport and Leisure supported by architects Faulkner Brown and placemaking and economics consultancy Genecon. This report was shared with Cabinet Members but due to reasons of commercial sensitivity has not been shared more widely.

3.9 The business case report considered by Cabinet Members set out a detailed examination of the financial and economic costs and benefits of the replacement and refurbishment options, which were summarised in the Part 1 report appendices. The cabinet members making the decision therefore had access to all the supporting information to ensure that their decision was properly and fully informed.

Point 3: (Summary) Incorporation of a risk /contingency allowance component in the Nominal Capital Cost and Gross Economic Cost figures appears from this additional information not to have followed government guidance on use of Optimism Bias (OB) ([Green Book supplementary guidance: optimism bias - GOV.UK \(www.gov.uk\)](#)).

3.10 For the purpose of calculating optimism bias, the project to deliver a new Sports and Leisure facility has been treated as a standard building. This is consistent with Green Book optimism bias guidance:

“Standard building projects are those which involve the construction of buildings not requiring special design considerations i.e. most accommodation projects e.g. offices, living accommodation, general hospitals, prisons, and airport terminal buildings”.

Source: [Supplementary Green Book Guidance, Optimism Bias](#), page 3, para 3.10.

- 3.11 Whilst the new facility will have a custom design to fit the site and complement the surrounding area, all components of the design, such as the swimming pools, gym, sports halls, and studios are well-established design elements. None of these are unique. The new facility will be built on the western end of the site, so the demolition of the current building is not part of the project considered in the business case. The project therefore satisfies the Green Book's guidance as a 'standard project' and the appropriate optimism bias range was used.
- 3.12 The specific value used for the project's optimism bias in the business case was 20%. This is at the higher end of the range than the Green Book recommends for standard buildings (between 2% and 24%). That value was chosen to reflect the higher level of uncertainty as construction contracts are not yet in place. This level of optimism bias also reflects the advice of Genecon as being consistent with the optimism bias they have used with similar projects.
- 3.13 Whilst each of the King Alfred replacement options represent *standard building projects*, there is a case for considering applying the non-standard optimism bias just to the refurbishment option. The Green Book proposes refurbishments should be considered as non-standard projects (*source: [Supplementary Green Book Guidance, Optimism Bias](#), page 2, para 3.5, page 3 para 3.10*). For non-standard projects, the optimism bias range as defined in the guidance is 4% to 51%. Application of this range would be likely to result in a much higher optimism bias for the refurbishment option. This in turn would result in an even lower benefit cost ratio (BCR) for the refurbishment, making that option an even less attractive investment when compared to the more compelling replacement options.

Point 4: (Summary) We have a separate concern about the treatment of the 'Refurbish' option. It is assumed that the attribution of a 10-year lifespan to the 'Refurbish' option, presented in the paper to Cabinet as the Reference Case, provides a 10-year appraisal period for the purposes of calculation of project benefits.

- 3.14 To enable consistent comparisons to be made between the options considered in the business case, the revenue and expenditure calculations were prepared based on a 40 year period. This same period was used for all options, including the refurbishment. The social and economic benefits for all options have been calculated over a 20-year period, also for consistency and comparability. Therefore, the costs and benefits of the refurbishment option have not been unfairly represented.
- 3.15 As set out in sections 3.3 – 3.6 of the cabinet paper, it would not be possible to meet the needs of a modern sports and leisure facility by refurbishing the existing facility. The commitment to replace the facility was made in the Sports Facilities Investment Plan (SFIP), agreed by the Policy & Resources Committee in July 2020. Furthermore, each of the previous schemes to regenerate the facility, including the most recent Crest Nicholson Scheme, entailed replacement rather than refurbishment. It has therefore been a long-standing council commitment to replace the facility, which was most recently

confirmed and formalised by the P&R decision in July 2021. The refurbishment was included in the business case simply a reference case against which viable replacement options could be considered.

3.16 The advice from structural engineers Engegnuity was that the programme of works outlined in their refurbishment proposal would extend the usable life of the facility by around 10 years. These works included:

- asbestos removal
- structural concrete repairs, particularly needed in the ‘beach’ area which has been subject to regular seawater flooding – including an incident in January 2023 which resulted in the closure of the pools and loss of all heating for three months
- reinforcement of foundations
- cathodic protection for concrete elements
- replacement of blockwork walls
- crack stitching and masonry strengthening
- renewal of roof coverings
- redecoration
- new mechanical and electrical (M&E) installations, including replacing the main plant and pool plant and other M&E works
- external works and services including external landscaping.

3.17 We also know that there is much less cost certainty with a refurbishment, as reflected in the Green Book optimism bias guidance mentioned in 3.9 above. The council’s direct experience with projects like the refurbishment of the Corn Exchange has shown that costs can much more easily increase far beyond expectations due to discoveries on-site once work begins.

3.18 With those factors in mind, the structural engineers were not asked to price a more comprehensive refurbishment as such a refurbishment would never be able to meet the requirements set out in the SFIP and would come with a high level of cost uncertainty.

Point 5: (Summary) There is no inherent reason why a detailed business case cannot be shared at this stage, as there are no contractor tender estimates yet and any individual figures such as design costs could be redacted.

3.19 To ensure Cabinet’s decision was properly and fully informed, the business case which was included as the Part 2 report provided commercially sensitive information on a number of themes, in particular:

- estimated costs for the capital works for the new build and refurbishment options
- projected future revenue and operating costs for the refurbishment and new build options

- detailed information about the current condition of the facility
- site valuation information.

3.20 The commercial sensitivity considerations which led to the full Business Case being taken as a Part 2 paper were:

- disclosing detailed information on the financing model, the economic model, and the way in which the build costs have been developed could prejudice the council's commercial interest and position in relation to the future procurement of contractors to deliver the new facility and could make it more difficult for the council to secure the best price for delivery of the new facility.
- disclosure of information about the land valuation work carried out for the site could impact the council's ability to secure the best price for the remainder of the site when it is sold for residential development.
- disclosure of the detailed information about the condition of the facility could also impact the council's contracted leisure management operator Freedom Leisure. Disclosure could affect Freedom Leisure's ability to attract and retain members at the existing facility, leading to fewer people using the centre, and therefore affecting income and the financial viability of the centre.
- in relation to the consideration of the public interest in disclosing the Business Case and balancing this against the risks outlined above of disclosure, there has been a significant amount of inaccurate information about the project disseminated on social media and through other channels. This included inaccurate claims that:
 - the council had already taken a decision to develop the new facility on the site south of Sainsbury's
 - the council was in discussions with developers about the sale of the existing site and / or had already agreed a deal for the sale of the existing site
 - the new sport and leisure centre would be smaller and feature fewer facilities than the existing facility.
- In some instances, disclosure of more information by the council would be an effective way to help mitigate the spread of this type of misinformation and be considered in the public interest. However, in this instance, the highly detailed and technical nature of the information in much of the business case will make it difficult to interpret and understand for many readers. If information from the Business Case were to be shared in a fragmented way without wider context it is likely to increase the risk of misunderstanding or misrepresenting the project.

- 3.21 It is proposed that the business case will be shared with Overview & Scrutiny committee members as a Part 2 document. It is not possible to redact the commercially sensitive information which runs through the Business Case to address the above concerns because of the nature and length of the document. By sharing the Business Case as a Part 2 document confidentially with members of the Overview & Scrutiny Committee, this will enable the Committee Members to review all of the information that was available to Cabinet Members when the decision was taken.
- 3.22 It is important to consider that whilst the Business Case provides an important evidential document to inform councillors' decision on the future of the facility, it is not the only piece of evidence that was considered. The cabinet paper also took account of other salient information such as the risks and issues for each arising from planning policy. Crucially, the paper also considered the results of the extensive engagement work which was key in informing the recommendations and cabinet's decision.

4. Analysis and consideration of alternative options

- 4.1 See main report.

5. Community engagement and consultation

- 5.1 See main report.

6. Financial implications

- 6.1 The financial implications for the King Alfred Leisure Centre Regeneration Project were included in the report to the 18 July 2024 Cabinet meeting. There are no additional financial implications arising from the recommendations of this report.

Name of finance officer consulted: James Hengeveld
Date consulted: 01/08/2024

7. Legal implications

- 7.1 The legal implications for the King Alfred Leisure Centre Regeneration Project were included in the report of 18 July 2024.

Name of lawyer consulted: Elizabeth Culbert
Date consulted 01/08/24:

8. Equalities implications

- 8.1 See main report.

9. Sustainability implications

- 9.1 See main report.

10. Health and Wellbeing Implications:

10.1 See main report.

Other Implications

11. Procurement implications

11.1 See main report.

12. Crime & disorder implications:

12.1 See main report.

13. Conclusion

13.1 The Committee is invited to consider the call-in request and the information supplied in response and to determine their response in accordance with the Overview and Scrutiny Procedure Rules.

Supporting Documentation

1. Appendices