

CABINET MEETING

Agenda Item 111

Brighton & Hove City Council

Subject:	King Alfred Leisure Centre – Redevelopment and Urgent works		
Date of Meeting:	20 November 2008		
Report of:	Director of Environment Director of Finance and Resources		
Contact Officer:	Name:	Katharine Pearce	Tel: 29-2553
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Key Decision:	Yes	Forward Plan No. CAB2358	
Wards Affected:	All	Central Hove - directly	

FOR GENERAL RELEASE

1.0 SUMMARY AND POLICY CONTEXT:

- 1.1 The King Alfred Leisure Centre has been due for demolition for more than 8 years in connection with the current redevelopment scheme. Demolition was to be part of a comprehensive redevelopment of the whole King Alfred/RNR site which would also have delivered a new public realm and over 700 new flats. The programme for redevelopment estimated a start in spring 2009.
- 1.2 This report provides a summary position statement on the King Alfred re-development project. It outlines the work now required if the King Alfred Leisure Centre is to remain open to the public, and also summarises the need to consider what next steps should now be taken in the absence of any current firm proposals for the site.

2.0 RECOMMENDATIONS

- 2.1 That the Cabinet notes the information contained in paragraph's 3.0 to 3.5 regarding the Karis/ING
- 2.2 That the Cabinet notes that the initial condition assessments and surveys of the King Alfred Leisure Centre have identified approximately £1.5 million of health and safety and maintenance works as detailed in Part B of Appendix 1 to keep the building operational.
- 2.3 That the Cabinet approves an allocation of £859,000 to the capital programme (from the £2m capital reserves identified for affordable housing on the King Alfred site) to carry out the urgent health and safety items indicated in Part A of Appendix 1.

3.0 RELEVANT BACKGROUND INFORMATION/CHRONOLOGY OF KEY EVENTS:

3.1 Karis/ING scheme

- 3.2 On 27 June 2008 the council received a letter from ING Real Estate Developments UK Ltd, the main funders for the King Alfred Project, stating that in the light of current market conditions and the requirements of the proposed King Alfred redevelopment as set out in the Development Agreement, it would no longer continue to fund the development. On 8 August, ING wrote to their consultants and full design team and officially notified the council of their withdrawal from the project.
- 3.3 At a meeting between the council and ING on 23 July it was agreed that ING would retain their interest in the Development vehicle set up to deliver the project (Karis King Alfred Development Limited) to allow their partner in the company, Karis Developments Ltd, the opportunity of seeking an alternative funding partner.
- 3.4 The current Development Agreement between the council and Karis King Alfred Developments remained live until the point at which the Developer was unable to meet its conditions under the Agreement. The King Alfred Development Agreement required the Developer to issue a Vacant Possession Notice to the council on or before midnight on the 8 November 2008. It had been apparent for some time, that without a funder in place, and in the present unusually bleak economic circumstances, this would be an unlikely event.
- 3.5 The legal agreement for the delivery of the Karis/ING scheme therefore expired at midnight on 8 November 2008. This has now left the council with no proposals to redevelop the King Alfred/RNR site at the present time.

4.0 Next Steps for King Alfred Site

- 4.1 In considering next steps available to the council fundamental questions will need to be explored. The absence of a deliverable scheme for the site will require consideration to be given to the following questions:
- What is the likely impact of the credit crunch in the medium term on the marketing potential of the King Alfred site?
 - How deliverable is a cost neutral scheme in the current economic climate?
- 4.2 Further work will be required to resolve these and other questions and work towards the best preferred options for the council overall.

4.3 In the short term, officers are working towards retaining the current building as an operating leisure centre.

4.4 A decision-making structure will need to be set up to guide the development of the above work and begin to answer the above questions. This will be the subject of a future report.

5.0 Urgent Works to King Alfred Leisure Centre

5.1 In summer 2008 Sport and Leisure commissioned a report from the Property and Design team into urgent works required to keep the King Alfred Leisure Centre operational until the commencement of the re-development the following year.

5.2 Since the initial report was commissioned the situation regarding Karis/ING's inability to comply with the terms of the Agreement within the agreed timescales emerged and it became far more likely that the King Alfred Leisure Centre would need to remain open for a longer period than originally planned.

5.3 In the light of this change in circumstances, the Property and Design team were asked to review their survey results and make an initial assessment of the urgent requirements of the building, taking into account the fact that the leisure centre would need to remain open beyond spring 2009.

5.4 Initial structural, mechanical and electrical surveys have been undertaken including assessments regarding the buildings compliance in terms of health and safety and fire risk. Initial estimated costings have also been produced.

5.5 In order for the King Alfred Leisure Centre to remain open to the public there are now a fresh set of challenges and problems which require urgent attention.

6.0 Condition of Current Building

6.1 The current King Alfred building has been run without significant investment for some time. In normal circumstances a building of this size, age and complexity would have received regular injections of funding to prevent longer term deterioration. Due to the proposed redevelopment, investment in the building has been designed to keep the building running rather than to protect its lifespan. The planned maintenance budget has been considerably lower for this reason.

6.2 The Property and Design team have now undertaken visual in-house surveys to identify the likely expenditure required to keep the King Alfred Leisure Centre running. The initial findings from the surveys undertaken to the structure, mechanical plant and electrical installations of the current building have shown it to have a number of building fabric defects that are in need of remediation. These works will help to avoid a loss of service, alleviate health and safety concerns and address urgent repairs.

- 6.3 The initial surveys will be supplemented by on-going further investigation as required and where necessary additional surveys. The total cost of the urgent works that have been identified to date is estimated at £859,000 as indicated in Part A of Appendix 1.
- 6.4 Once investigation is fully completed, any further funding requirements and the method of financing them will need to be incorporated into future years capital programmes. These in turn will be dependent upon outcomes of options appraisals for the future of the site and the King Alfred Building. It should be noted that existing future years capital programmes are already under pressure due to the economic downturn and additional spending approval may have to be offset by reductions elsewhere in the capital programme.
- 6.5 It is important to highlight that the works currently identified are not:
- Cosmetic or improvement works
 - Redecoration or refitting works
 - Works intended to resolve previously identified problems in the building (such as poor drainage to the Wet Change Area)
- 6.6 The proposed work only relates to the King Alfred Leisure Centre (including Indoor Bowls) and not to those areas of the building occupied by tenants on leases such as Cheetahs Gym. Work to areas now unoccupied such as Ten Pin Bowling or external areas such as the amusement park are not included at present.

7.0 Supervision of urgent works and contract management.

- 7.1 Execution of the current urgent works will be staged and will require closure of parts of the building, possibly at different times. Every effort will be made to minimise closure periods and disruption to customers.
- 7.2 There will be an additional workload for King Alfred staff in co-ordinating and handling this situation, maintaining a customer service and working alongside the Property and Design Team and external contractors on delivery of the various works. Some additional on-site resources will therefore be needed at the King Alfred and Project Management support will also be required on the client side.
- 7.3 The Urgent Works which have been commissioned will be managed by external consultants. This is because the Property and Design Team are fully committed to delivering the planned maintenance programme for the council. Property and Design will however assist Sport and Leisure in overseeing and monitoring the works.

8.0. CONSULTATION

8.1 It is recommended that full consultation with the client (Sport and Leisure) continues to take place to agree the prioritisation and logistics of undertaking the relevant work. Consultation has already begun to prioritise work and agree timescales. Further work is required to programme works, undertake procurement of certain areas and manage the works effectively to ensure there is minimal disruption to the service. There is the need to agree funds now so that the appropriate work can be programmed to start in December 2008.

9.0 FINANCIAL & OTHER IMPLICATIONS:

9.1 Urgent Works – capital implications

9.2 The initial survey has identified £1.5m of capital works required to address urgent Health and Safety and other maintenance issues, however these estimates will be firmed up once all surveys are completed. Further funds will almost certainly be required.

9.3 The council had identified £2.7m to support the provision of affordable housing within the King Alfred development; £2m from capital reserves and £700,000 from savings generated through the closure of the King Alfred Leisure Centre during the redevelopment period. In addition £1m was set aside to support seafront sustainable transport relating to the King Alfred project.

9.4 On the basis that the development of the site will not now progress in the form of the current planning permission it is proposed to allocate funds from the capital reserves identified for affordable housing on the King Alfred site. This will leave £1.141m of capital reserves to support a development at the site and/or further works, and £1m for seafront sustainable transport ring-fenced for the King Alfred.

9.5 Urgent Works – revenue implications

9.6 The King Alfred Leisure Centre is currently overspending its current budget by £130,000 due to increased energy costs and falling income and these pressures are likely to continue into future years.

9.7 As part of the capital works there may need to be short term closures of some or all of the Centres facilities and this will reduce income during that period and increase the overspend; an average 2 week shutdown of all of the facilities is likely to reduce income by £30,000. However, overall the Council budgets are projecting an under spend in the current year.

- 9.8 The Leisure Centre has also had temporary funding for increased costs of business rates of £70,000 due to the change in exemptions for empty properties that came into force in April 2008. The additional business rates are being challenged through appeal by the councils rating advisors but the outcome is not certain. Only part of this temporary funding is available for 2009/10 onwards.
- 9.9 In addition to the capital investment in maintenance there is also a need to increase day to day maintenance which will add further revenue costs in future years. This means that cumulatively there are significant financial pressures on the Leisure Centre going into 2009/10 which will need to be managed within the Environment directorates cash limited budget as part of setting the Councils overall budget for 2009/10.
- 9.10 Overall the Leisure Centre is subsidised by approximately £700,000 per annum excluding support services and corporately funded planned maintenance. The level of subsidy has been increasing year on year due to a combination of increased energy costs, business rates and falling income from leisure centre users. These increases are likely to continue into the future.
- 9.11 **Developing Future Options – financial implications**
- 9.12 The objective for redevelopment of the King Alfred site was to deliver the Sports Brief agreed for the new centre at no cost to the council. Any options that come forward for re-provision of sports facilities will find this objective challenging without either compromising the Sports Brief or the council finding additional resources.
- 9.13 The costs of bringing forward options for the King Alfred Leisure Centre site will be met from the Strategic Investment Fund (SIF) allocation to support major projects in the current year; any future resource requirements will be subject to SIF allocations in the capital programme.

Finance Officer Consulted: James Hengeveld *Date:* 6/11/08

10.0 Legal Implications:

- 10.1 The council must have confidence in the operational effectiveness of its buildings. The recommendations in this report relate to taking sufficient measures to keep the King Alfred operational in the short term. This involves commissioning urgent works required for health and safety. The extent and likely cost of additional health and safety and maintenance work to extend the operational life of the building whilst the council review its options for the site will be the subject of future reports.

- 10.2 In November 2004 the council entered into an Agreement with Karis (King Alfred Developments) Limited regarding the redevelopment of the King Alfred and RNR Site. Although planning permission and a stopping up order has been granted, as the Developer did not serve the Vacant Possession within 12 months of the Unconditional Date, the Agreement automatically came to an end on 9 November 2008 and there is now an urgent need to review the options for ongoing leisure provision at this site.
- 10.3 Clause 25.5 of the Development Agreement expressly provides that such termination is “without prejudice to the rights of any Party against another in respect of any antecedent breach of this Agreement”. There is not expected to be any claim for any breaches of the Agreement.
- 10.4 By reason of clause 10 in the Agreement the council now has the right to use the various plans, drawings and specifications produced under the Agreement for any purpose whatsoever connected with carrying out and completing the Development and the letting and sale or financing of the Development or any part or parts thereof.
- 10.5 There are various businesses at the King Alfred who would have been previously required to vacate the premises to enable the Development to take place. Consideration is being given as to the basis on which they may continue to operate from the site if they so wish. The terms of such continued occupation will to some extent be influenced by the options appraisal. Similarly the position of staff at the Centre will need to be reviewed in the light of the Agreement with Karis coming to an end.

Lawyer Consulted: Bob Bruce

Date: 6/11/08

11.0 Equalities Implications:

- 11.1 Closure of the King Alfred Leisure Centre would significantly reduce opportunities for participation in sport. The centre provides a wide range of sporting and leisure opportunities for a cross section of the local population.
- 11.2 There is a need for a range of sporting facilities to be available across the City so that there is equality of opportunity for local people to participate in sport.

12.0 Sustainability Implications:

- 12.1 There are no direct sustainability implications arising from this report. It should be noted however that the works to the building arising from this report will not be sufficient to bring the building into line with current good practice. With the introduction of Display Energy Certification in October this year for all public buildings, they will need to demonstrate their energy performance. A building of the age of the King Alfred (built in 1938 and remodelled in 1980) cannot be expected to perform to the same standard as newer buildings.

13.0 Crime & Disorder Implications:

13.1 There are no direct crime and disorder implications arising from this report.

14.0 Risk & Opportunity Management Implications:

14.1 The recommendations of this report are intended to mitigate issues of risk in relation to the continued operation of the King Alfred as a public leisure facility. It is recommended that without this expenditure there can be no guarantee of a continuing facility at the King Alfred. With the expenditure (including possible future works) there is a stronger chance that an extended life can be extracted from the building.

15.0 Corporate / Citywide Implications:

15.1 The King Alfred is the largest wet and dry sports facility in the City and draws users from a wide catchment area. The closure of the centre would have a significant negative impact on the opportunities available for local people to take part in sport. There is already a shortage of wet and dry facilities within the City. The works identified in this report are required in order to keep the present facility operating. While the centre does not meet the current standards of a modern facility, it does enable much needed sporting opportunities which provide a valuable contribution to the activity levels and health of the local population.

16.0 **EVALUATION OF ANY ALTERNATIVE OPTION(S):**

16.1 The items identified to date include only urgent works. They do not include any measures to bring the building up to any higher performance standard than at present. In effect they are “standstill” measures to allow the building to remain open. An alternative option would be not to commit any further expenditure. This would create a situation of considerable risk for the council and result in the potential loss of a key leisure facility for the City.

16.2 **Maintaining the service**

16.3 For the reasons outlined elsewhere in this report, it is not considered an option to close the King Alfred Leisure Centre at present. The proposal in this report is about maintaining a service for the community and the continued provision of sport and leisure facilities in the City.

17.0 **Value for Money and Asset Management**

17.1 Major redevelopment of the King Alfred site has been anticipated for some time, therefore less capital investment or planned maintenance has taken place than otherwise for some considerable years. Therefore, although this decision requires a significant injection of funds at this time, when

considered over the whole period of time that there has been an anticipated closure, expenditure would be considered reasonable.

- 17.2 Similarly, the high level of subsidy for the service was previously factored into the business case for the major development and also has to be seen in the context of relatively low levels of capital and revenue investment in the service over the last 12 years.
- 17.3 There is an under provision of sport and leisure facilities in the City. This decision is therefore about maintaining a service for the community and ensuring there is not a negative impact in terms of corporate priorities. In the short term, it is the only way to maintain the overall provision of sport and leisure facilities for the city.

18.0 Asset Management

- 18.1 It is best practice to undertake Property Performance Reviews (PPR's) which form an integral element of the Corporate Property Strategy and Asset Management Plan 2008-2011. The overall performance of a building can be assessed compared with similar property types using two key performance indicators, suitability – a “fit for purpose” qualitative assessment and condition – an assessment “necessary to bring the property to a state required to deliver the service and maintain the standard”. The PPR plots the two assessments on a decision matrix to give an indication of each properties relative performance and possible future outcome.
- 18.2 A subjective suitability assessment has been made for the King Alfred Leisure Centre that indicates that without a suitable replacement the current service delivery would be reduced in the City. Thus the existing centre needs to be fit to be open. The condition assessment looked at the required backlog maintenance and works necessary to meet legislative and statutory requirements and resulted in the maintenance requirement for this facility being well above average for other leisure centres within the City and the overall condition was considered fair to poor. From the overall Property Performance Review assessment within the Asset Management Plan the building falls into the matrix quartiles that recommend “consider disposal/consider additional investment”.

19.0 REASONS FOR REPORT RECOMMENDATIONS

- 19.1 The underlying reason for the recommendations regarding expenditure is to ensure that the King Alfred Leisure Centre remains operational for the foreseeable future and thereby maintain for the City the provision of much needed sport and leisure facilities.
- 19.2 In strategic terms, the Council must now begin to define the terms of a new project for the King Alfred. At present, the delivery of new sporting facilities for the City on the King Alfred site, fulfils the requirements of the King Alfred

Development Brief 2004, is fundamental to meeting targets in the 2006-2012 Brighton and Hove Sports Strategy, and also contributes significantly to the City Tourism Strategy. In planning terms, it also complies with the aspirations of the draft South East Plan (S3) and Structure plan.

SUPPORTING DOCUMENTATION

Appendices:

1. Appendix One: List of urgent repair works and indicative costs.

Documents in Members' Rooms

None

Background Documents

None