

Appendix 2

This Report will be made public on 19 January 2026



Report Number:

OS/25/13

To: Overview & Scrutiny Committee
Date: 27 January 2026
Status: Key Decision
Responsible Officer: Andrew Rush, Chief Officer Regulatory & Community Services
Cabinet Member: Cllr M Blakemore, Cabinet Member for Community & Collaboration

SUBJECT: PROPOSED CAPITAL GRANT AGREEMENT FOR FOLKESTONE SPORTS CENTRE

SUMMARY: This report details the proposed capital grant to be provided to The Sports Trust to support a programme of works to enable the re-opening of the swimming facilities at Folkestone Sports Centre. The proposed capital grant is in total £2,421,250.

RECOMMENDATIONS:

1. To receive and note report OS/25/13; and,
2. To provide feedback on the proposed grant agreement for Folkestone Sports Centre

1. BACKGROUND

- 1.1 Folkestone Sports Centre Trust went into administration in August 2024, and the swimming pool and sports centre closed. The closure of the sports centre means that Hythe Pool is the only available public swimming baths in the district. At the time of its closure the council provided an annual revenue grant of £150,000 to the Folkestone Sports Centre Trust. The agreement was for three years ending in March 2026.
- 1.2 In May 2025, the sports centre was purchased by The Sports Trust, who run the Three Hills sports centre and grounds. The Sports Trust contacted the council to see if the current revenue grant agreement could be transferred to them and enquired about the availability of additional financial support for a project to refurbish the sports centre. Members had indicated a keenness to financially support the re-opening of the sports centre.
- 1.3 In August 2025, The Sports Trust sent a funding proposal to the council, which was for 'shortfall' capital funding of £1.544m of the overall refurbishment project and a 4-year revenue grant of £200k per annum. This proposal was rejected as it did not specifically fund the re-opening of the swimming pool and created an uncertain position with regards to compliance with the Subsidy Control Act 2022. The council was also unable to commit to the ongoing revenue grant commitment and preferred any support to be funded from capital reserves or via s106 agreements.
- 1.4 The Sports Trust sent a second proposal in October 2025 (Appendix 1). This proposal focused on the capital works needed to re-open the swimming pool, including renovation of ancillary areas like reception and the changing rooms, the addition of solar panels, and repairs to the flat roof. The total capital funding proposal was for £2,421,250 which was equivalent to the capital + revenue commitment in the August proposal.
- 1.5 In discussions with the Trust, no definite financial commitments have been made, and it has been emphasised that it will ultimately be a decision for Council in the setting of the Capital Programme Budget for 26/27 and Cabinet in approving the Grant Agreement.

2. DRAFT GRANT AGREEMENT

- 2.1 A draft agreement has been prepared with Legal Services. The main parts of the agreement are described below.

Overview

- 2.2 The Sports Trust have asked for funding totalling £2,421,250. This funding would be drawn down as the works are completed over a period of six months. As the grant agreement will only cover the required works to the swimming pool and ancillary buildings, it will be necessary for The Sports Trust to look for other income streams including land sales to continue any remaining works to the premises and to re-open other facilities such as the gym.

- 2.3 The grant agreement is for capital funded projects only and offered on the basis that no further revenue grants will be provided. This has been agreed and will be included as a term in the agreement. The proposal includes power efficiency measures like solar panels to reduce ongoing operating costs.
- 2.4 The Sports Trust have provided a Project Programme, which schedules delivery of the project by the end of July 2026. This will be in advance of any potential projected closure date for Hythe Pool for refurbishment in the autumn should this be approved by members. However, the condition of the sports centre and complexity of modernising an aging pool means that there is a high risk of slippage in that programme.
- 2.5 The Sports Trust would welcome the opportunity to provide a general briefing to councillors about their plans for Folkestone Sports Centre

Financial Controls

- 2.6 It is recognised that this will be a major funding commitment and there needs to be financial risk controls built into the agreement.

The financial controls include:

- All payments are made retrospectively when works are completed. Cost information will be provided on an 'open book' basis.
- Funding is only agreed to the limit of each stage or individual project. The Sports Trust will be responsible for any cost overruns.
- The Sports Trust will apply council equivalent procurement thresholds to their tendering e.g. up to £100k three quotes and above £100k publicly advertised tenders.
- The agreement will include clawback clauses including re-payment of grant, should any clauses be broken (i.e. the swimming pool is closed) or the Sports Trust withdraws from the project.
- Council officers (or council appointed specialists) will be able to attend the site to verify that works have been completed.

- 2.7 The Sports Trust will also monitor and provide ongoing data on community use of the swimming pool including numbers for each swimming lessons cohort, club activity and swimming club use.

3. SUBSIDY CONTROL ACT 2022

- 3.1 The Subsidy Control Act was introduced at the start of 2023. Public authorities must consider on a case-by-case basis whether any financial assistance provided by them could fall within the definition of a subsidy. For these purposes a subsidy is any financial assistance which:

- Is provided from public resources by a public authority.
- Confers an economic advantage not available on market terms.
- Is specific to one or more enterprises.

- Could affect competition or investment in the UK or trade/investment internationally.

3.2 We have assessed that the new grant agreement would meet the general definition of a subsidy. It will therefore need to comply with the Subsidy Control Act principles i.e. address market failure.

Main points in support of compliance:

- The grant agreement focuses on the provision of community swimming rather than other general leisure activities like gym provision which could be supplied by commercial providers.
- Demand analysis completed to support the Leisure Strategy identifies a shortfall in community swimming provision within the district even with Folkestone Sports Centre back in operation.
- The capital grant is proportionate to achieving its objective, and the exclusion of an ongoing revenue grant means there is no ongoing market distorting impact.

3.3 Even if the grant does not meet the definition or thresholds of a qualifying 'subsidy' under the Act there may be merit in a voluntary referral to the Competition & Markets Authority for listing on the UK Subsidy Database as this can limit any potential challenge.

4. NEXT STEPS

- 4.1 The capital funding estimated for the grant at £2,421,250 will be included in the General Fund Capital Programme 26/27 for approval as part of the annual council budget for 26/27.
- 4.2 Subject to budget approval and terms being agreed with The Sports Trust, the intention is to report the grant agreement to Cabinet on 25 March 2026.
- 4.3 The terms of the final agreement will be assessed against the criteria of the Subsidy Control Act 2022 and a decision made to refer for inclusion on the CMA database.

5. RISK MANAGEMENT ISSUES

- 5.1 A summary of the perceived risks follows

Perceived Risk	Seriousness	Likelihood	Mitigation
Quotes for works are incorrect, and the works cannot be completed	Medium	Low	With the agreement of the Council additional funding streams could be put in place to cover the difference in costs.
The Sports Trust could take the grant funding and disappear	High	Low	Payment will be retrospective on receipt of invoices from the third-party contractors which will be verified by competent officers.
The Sports Trust do not use the correct procurement process	High	Low	Clause within the Grant Agreement stating that the Sports Trust must adhere to all applicable procurement rules.
Funding used on ineligible expenditure	Low	Low	Clause in the Grant Agreement clarifying what eligible and ineligible expenditure consists of as well as an open book arrangement in place and a clawback clause.
Failure of the Sports Trust to keep the swimming facilities open long term	Low	Low	Clawback clause in place to reclaim x amount of the grant should the swimming facilities close within 5 years of opening.
Failure of the Sports Trust to allow community use	Low	Low	Clause in the grant agreement stating that the Sports Trust must not limit the availability of the facilities unless written permission from the Council has been sought.
Reputational damage to the	Medium	Low	Retrospective payments in place,

Council should there be an overspend			so draw down can be monitored against the expected expenditure detailed in the Cash Flow Forecast.
Fraud	Medium	Low	Open book arrangement will be in place for the duration of the grant agreement and for a further 5 years following this.
Failure by the Sports Trust to complete the works to the rest of the building	Medium	Medium	It is stated in the grant agreement that the Sports Trust should not expect further funding after this capital grant and must ensure other income streams are in place for any additional works.

6. LEGAL/FINANCIAL AND OTHER CONTROLS/POLICY MATTERS

4.4 **Legal (OS)** – Section 1 of the Localism Act 2011 grants Local Government Authorities a general Power of competence.

(1) A local authority has power to do anything that individuals generally may do.

(2) Subsection (1) applies to things that an individual may do.

Section 111 of the Local Government Act 1972 grants local authorities the power to do anything that is conducive to the discharge of their functions, without prejudice to any other powers.

The Council is empowered to carry out this transaction under the powers outlined above.

4.5 **Finance (JS)** – There is sufficient flexibility within the GF capital programme to accommodate the grant funding. Initial proposals are for £1.5m of funding to come from s106 financing (Martello Lakes), with the remainder from capital receipts. However, this is still subject to the annual budget setting process for 2026/27 where the precise funding arrangements for this

scheme will be finalised, particularly with other leisure schemes also coming forward.

- 4.6 **Diversity & Equalities (AR)** - The project to re-open the pool will be a positive in terms of equalities. An EIA is not required.
- 4.7 **Climate Change (JWi)** – The pool refurbishment project incorporates sustainability measures; installation of solar panels will both reduce costs and lower carbon emissions. Modernisation of the swimming pool will also improve energy efficiency through upgraded heating and filtration systems. These measures align with the Council's climate change Action Plan. It is recommended to also look into opportunities for further enhancements, such as improved insulation when replacing the roof and LED lighting. Indirectly, reopening the sports centre locally may reduce travel-related emissions by limiting the need for residents to use facilities outside the district.)

7. CONTACT OFFICERS AND BACKGROUND DOCUMENTS

Councillors with any questions arising out of this report should contact the following officer prior to the meeting

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The following background documents have been relied upon in the preparation of this report:

Appendix 2a – Funding Proposal from the Sports Trust (October 2025)