

This Report will be made public on 17 March 2026

Report Number **C/25/92**

To: Cabinet
Date: 25 March 2026
Status: Key Decision
Responsible Officer: Andrew Rush, Chief Officer Regulatory & Community Services
Cabinet Member: Cllr M Blakemore, Cabinet Member for Community & Collaboration

SUBJECT: 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.

REASONS FOR RECOMMENDATIONS: The purpose of the capital grant is to re-open the swimming pool at Folkestone Sports Centre for community use. This will improve the provision of swimming within the district with the resulting health and social benefits.

RECOMMENDATIONS:

1. To receive and note report C/25/92.
2. To approve the award of a capital grant of £2,421,250 to The Sports Trust for works required to re-open Folkestone Sports Centre.
3. To approve the Draft Grant Agreement as the conditions for the grant award.
4. To authorise the Director of Housing and Operations to complete and enter the grant agreement.

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 and preferred any support to be funded from capital reserves or via s106 agreements for leisure provision.
- 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 The grant proposal was reported to Overview & Scrutiny Committee on 27 January 2026 (Report OS/25/13) as part of the item 'Strategic Approach to Leisure'. Committee members generally welcomed the grant proposal and recognised the importance of the facility to residents, schools, and clubs. The committee identified the following risks to be considered within the due diligence process:
- The level of assurance on the condition and remaining lifespan of the building, plant and equipment.
 - Compliance with procurement requirements.
 - The risk of delays to the proposed delivery timetable and the impact of this coinciding with Hythe Pool closing for refurbishment.
 - The risk of cost overruns and further funding requests.
 - The risk of effective financial loss of the grant, if Folkestone Sports Centre subsequently closed and how this could be safeguarded.

These points (and other risks) are considered in Part 2 of this report.

- 1.6 The grant award is for the purpose of re-opening the swimming pool at Folkestone Sports Centre. It is part of a larger project being undertaken by

The Sports Trust to re-open all the facilities at the sports centre. The grant will help address the lack of swimming provision within the district, support the objectives of the new strategic leisure approach, support the local primary schools in providing swimming sessions, and generally restore into use a longstanding community asset. It will also mitigate the risk of Hythe Pool being the only operational public swimming pool in the district and allow the refurbishment of this facility to proceed.

- 1.7 In discussions with The Sports Trust, no definite financial commitments have been made, and it has been emphasised that it will ultimately be a decision for Council through approval of the Capital Programme Budget for 26/27 and for Cabinet in approving the Grant Agreement.

2. RISK MITIGATION

- 2.1 The council has previously supported through grant funding, the operation of the swimming pool at Folkestone Sports Centre, but it is recognised that this new capital grant is a significant financial commitment with risks. The former trust going into administration also highlights the commercial challenges facing the new owners.

- 2.2 The original risk assessment prepared for the grant proposal and reported to Overview and Scrutiny is included in Part 5 of this report. The intention is to mitigate these risks mainly through the conditions incorporated in the grant agreement and through the due diligence work completed in advance. A draft agreement (Appendix 2) has been prepared with Legal Services. The Sports Trust have provided supporting information about the project, which has been reviewed and a site visit and discussions with the main project consultant was carried out on 23 February 2026.

- 2.3 With reference to the risk assessment (Part 5) and the feedback received from Overview & Scrutiny, the risks related to the capital grant can be broadly categorised as follows:

- 1) Risks related to the cost of the project e.g. cost overruns or procurement.
- 2) Risks that the project does not complete within timescale, and the swimming pool does not re-open before Hythe Pool closes for refurbishment.
- 3) Risks related to the ongoing operation of the swimming pool and the provision of a community swimming programme.
- 4) The risk that the swimming pool ceases operation, and the grant investment is lost and/or subsequent grants are requested to keep the pool running.
- 5) Compliance with the requirements of the Subsidy Control Act 2022.

Cost Overruns

2.4 The risk of cost overruns has been addressed in the following ways with applicable clauses in the grant agreement referenced in brackets:

- The Sports Trust have employed Bettridge & Milsom construction consultants, Rybka, an M+E specialist, OSG, architects and FMG, a leisure specialist in the preparation of their plans and costings. This programme has gone through several reviews and site surveys.
- Funding under the grant agreement is only agreed to the limit of each stage or individual project. The Sports Trust will be responsible for any cost overruns. (Clauses 3 and 4).
- All payments are made retrospectively when works are completed. Cost information will be provided on an 'open book' basis. (Clause 3.5)
- 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. (Clauses 9.5 to 9.7)
- Council officers (or council appointed specialists) will be able to attend the site to verify that works have been completed. (Clause 8.5 to 8.7)
- Any other external funding received by The Sports Trust for the project must be declared to the council and must not duplicate funding already received under the grant agreement. (Clause 5).

2.5 Realistically, due to the age and condition of the building, the financial risk of additional costs cannot be fully mitigated. The grant agreement however makes clear that the council's financial commitment is limited to the grant contribution, which is then allocated to each project stage. 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.

2.6 If in extreme circumstances cost overruns led to the abandonment of the project, the termination clauses would apply as discussed later in the report.

Project Delays

2.7 The risk that the project completion is delayed, and its impact on the Hythe Pool project was highlighted by the Overview & Scrutiny Committee. A delay in the completion of the Folkestone project that coincided with the expected closure of Hythe Pool for refurbishment, would result in there being no available public swimming provision in the district.

2.8 The Sports Trust appear confident in the ability to deliver the project by July 2026. However, the condition of the sports centre and complexity of modernising an aging pool means that there remains an elevated risk of slippage in that programme.

This is mitigated by the following:

- The employment by The Sports Trust of professional consultants to prepare the project programme. Contingencies for both time and cost have been incorporated in the programme.
- The gap between the end of the Folkestone project in July 2026 and the provisional start date of the Hythe project in early 2027 provides some leeway should there be any delays in the re-opening of Folkestone swimming pool.

2.9 Ultimately, the council controls the start of the Hythe project although a delayed start would likely result in increased costs. This risk does also highlight the present reliance on Hythe Pool as the only public swimming pool in the district.

Operational & Commercial Risks

2.10 This part considers the risks to the ongoing operation of the swimming pool at Folkestone, the provision of a community swimming programme and the commercial challenges facing the sports centre.

2.11 The sport and leisure sector has been hard hit in recent years, starting with the pandemic, then by the spiking of utility prices triggered by the war in the Ukraine and then by the cost-of-living crisis. These were all major factors that contributed to the former trust going into administration.

2.12 In terms of financial risk, The Sports Trust's last audited accounts for the twelve-month period to 31 August 2024, show that the Trust has a large asset base, but this was mainly in fixed assets (land, buildings, and other property). The Trusts available free assets (e.g. cash in bank) were very limited in comparison:

- The Trust made a small overall loss of about £113k. This was an improvement on the preceding year's £310k loss.
- Operations made a surplus of £183k, but large depreciation charges (£297k) turned this into an accounting deficit.
- Income was £1.06m, with over half coming from grants and donations, and around a third from trading (mainly F51).
- Cash in the bank improved in year to £79.5k.
- The asset base was £14.2m (£10.1m after creditors are deducted). These are mainly fixed assets.
- The Trust's main creditor is a £4m long-term loan from the Roger De Haan Charitable Trust.

2.13 It is also worth noting in terms of financial risk, that the grant agreement funds only part of the overall refurbishment project (£4.5m). It will be necessary for The Sports Trust to look for other income streams including land sales to complete the remaining refurbishment works to the premises and to re-open facilities such as the gym and the sports halls.

- 2.14 The published accounts relate to the period prior to the acquisition of Folkestone Sports Centre. This was a major and to an extent unanticipated expansion of The Sports Trust's operations. For comparison, The Sports Trust employs around nineteen staff (Annual Accounts July 2024). Folkestone Sports Centre at the time of its closure employed around one hundred staff albeit many of these staff were on part-time contracts. Expanding operations will bring its own risks. We have shared our experiences about the difficulty in recruiting trained lifeguards, a prerequisite for running a swimming pool.
- 2.15 The operational risks are mitigated by the following:
- The Sports Trust has a history of delivering projects, which recently included the F51 skate park/activity centre.
 - Swimming pools depend on the functioning of the plant, pumps, and pipework. The project includes the upgrading of the ageing plant (e.g. plant, pumps, replacement of some of the pipework, and pool filter system).
 - The proposal includes power efficiency measures like solar panels to reduce ongoing utility costs.
 - The grant agreement includes the requirement that all works as part of the Swimming Pool Project are designed and completed to bring the swimming pool into compliance with the latest standards and guidance issued by the Pool Water Treatment Advisory Group (PWTAG). (Clause 8.10).
- 2.16 The Sports Trust have further advised that they are in the process of contracting for a specialist operator for the sports centre. This will be a not-for-profit company who will bring in expertise in the management and service delivery of the day-to-day operation of a large sports centre. Specific expertise includes the rollout of a new IT system and the provision of soft play activities. The Trust may also look to enter a separate partnership for the gym operation. The Sports Trust will retain control over business strategy and the community programme. Responsibility for price setting will be shared with the new operator to ensure a balanced approach that maintains financial sustainability while protecting affordability and accessibility. They remain the property owner and responsible for the building and land.
- 2.17 The Trust by entering a partnership with an experienced operator does in principle address many risks arising from the expansion of the Trust's operations. However, for the purposes of the grant agreement, officers have made it clear that the agreement is directly and solely with The Sports Trust including the provision of the community swimming programme ('Community Offer') and the monitoring information included in Clause 8.
- 2.18 The purpose of the grant is to re-open the swimming pool as a venue for community swimming. This is defined within the grant as the 'Community Offer' (Clause 8.7) and detailed in Clause 8.9 as 'a strong community offer for residents including but not limited to swimming lessons, aqua fit, family

swim, lane swimming and rehabilitation sessions.’ The Sports Trust have provided additional details in their business plan of how they intend to promote swimming within the community.

- 2.19 Consideration was given to whether the agreement should include provisions for the council to be consulted on swimming admission prices or requirements for the Trust to price control or benchmark their charges. This was not progressed for several reasons related to practicality and maintaining a demarcation between the council and the Trust on commercial decisions.
- 2.20 The issue has been raised about what would prevent The Sports Trust pricing out the community and operating as a high-end exclusive sports club. The Sports Trust in response have highlighted their charity status and fourteen years’ experience of providing community sporting facilities within the district. Folkestone Sports Centre was designed as a community facility and needs to operate on a scale that attracts wide usage within the community. This is the main commercial risk, and the agreement does consider how the grant funding can be protected should the business fail.

Funding Clawback

- 2.21 The risk that the swimming pool ceases operations are considered within Clauses 17 and 26. Please note that these clauses respond to a range of scenarios where the council could withhold, reduce or ‘clawback’ the grant.
- 2.22 The purpose of the clawback clauses (26.5 to 26.17) is to provide the council as a last resort the ability to claim back the funding or a proportion of it. The inclusion of clawback clauses in sport and leisure funding agreements is commonplace. Sport England for example include similar clauses in their agreements. We have also adopted the approach of tapering the clawback sum so that it reduces over a set period, in this case ten years. The reason for this is to incentivise the Trust to keep the swimming pool running should they experience financial problems. A clawback figure that remained unchanged over the period would mean there was little incentive to keep operating for a further year. As an additional financial control, the clawback will be registered as charge on the property.
- 2.23 The agreement in BACKGROUND (E) states that this grant is intended to replace future grants and does not infer any future funding commitments.

Subsidy Control Act 2022

- 2.24 The Subsidy Control Act came into force at the beginning 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.

2.25 Officers 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 early Leisure Strategy work 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.

2.26 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.

3. CONCLUSION

3.1 The report has deliberately focused on risk and mitigation and the requirements of the grant agreement. The report does not intentionally overlook or downplay the benefits and opportunities arising from the proposed grant funding namely, the re-opening of a community swimming pool in Folkestone, access for clubs and schools and the general health benefits.

3.2 The report additionally considers risk in terms of mitigation but not elimination. The terms and conditions of the agreement provide protection for the grant funding to ensure that it is used effectively and for its intended purpose. However, risks remain and the report seeks to highlight the most significant. Firstly, that the works are to an aging facility where from experience there could be unexpected costs or delays. Secondly that sports centres have faced significant commercial challenges in recent years with many of those risk factors (e.g. spikes in utility costs) still relevant.

4. NEXT STEPS

4.1 The capital funding estimated for the grant at £2,421,250 was included in the General Fund Capital Programme 26/27 approved as part of the annual council budget for 26/27.

4.2 Subject to approval by the Cabinet, the draft grant agreement will be presented to The Sports Trust to agree. The Trust have been advised about

the expected requirements of the grant agreement as these have been developed.

- 4.3 Separately, 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	Sports Trust pursuing other income streams such as land sales to provide capital for other required works and potential overspends.
The Sports Trust could take the grant funding and not implement the intended works.	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 10 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

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			from the Council has been sought.
Reputational damage to the Council should there be an overspend	Medium	Low	Retrospective payments in place, 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 10 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 (DL)** – The 26/27 Capital programme which was approved by full Council on the 25 February 2026 included a provision of £2.4m for Leisure Strategy that will be utilised to fund the capital grant to the Sports Trust to enable the reopening of swimming pool at Folkestone Leisure Centre. This will be funded by £1.5m from s106 contributions and £0.9m from capital receipts.

Section two of the report outlines the potential risks that have been identified and the mitigations that have been put in place to limit them.

A review of the Trust's most recent audited accounts has been carried out and has not identified anything that would prevent the awarding of the capital grant.

- 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 investigate 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:

The Sports Trust Annual Accounts (31 August 2024)
Folkestone Sports Centre Business Plan (July 2025)

Appendix 1 – Funding Proposal from the Sports Trust (October 2025)
Appendix 2 – Draft Grant Agreement