

**Agenda Item No: 5**

**Report to: Charity Committee**

**Date of Meeting: 5 June 2014**

**Report Title: White Rock Baths – Development Proposal**

**Report By: Simon Hubbard  
Director of Regeneration**

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### **Purpose of Report**

To inform members of work to bring forward proposals for White Rock Baths and to seek support for this approach.

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### **Recommendation(s)**

- 1. That subject to funding being obtained from East Sussex County Council and Hastings Borough Council, the Committee approve the proposal to create a BMX/Skateboard facility at White Rock Baths on the basis contained in this report.**
- 2. Delegation is given to the Director of Regeneration acting in consultation with the Director of Corporate Resources and the Chair of the Foreshore Trust and Lead Member for Regeneration to complete tendering, contracting, lease and other arrangements to deliver the proposed scheme at White Rock Baths.**

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### **Reasons for Recommendations**

To enable the White Rock Baths to be open for business by Christmas 2015.

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## Background

1. Members know that the Foreshore Trust and Borough Council have been working for a considerable period to find a productive and appropriate use for the usable space in White Rock Baths [WRB].
2. The WRB has stood empty for 16 years and has been the subject of ongoing work to find a subsequent role. The lower area (basement) is unusable in the long term. The Hastings and St Leonards Foreshore Trust has removed rubble and debris, dealt with asbestos issues and decorated the exterior of the building. A small part of the usable area is now occupied by the Hastings Pier Charity.

## The Source Proposals

3. The Source proposal entails the creation of an indoor arena for BMX and skateboard competitions and training with supporting retail and (limited) refreshment provision. The company approached the Trust and Council with an initial written proposal.
4. The nature of the proposal is an exciting one in terms of the use of the Trust estate for sporting and recreational use by large numbers of people, particularly the young.
5. For this reason it was agreed to investigate this jointly with The Source through a commissioned study. The cost of the study was indicated as being £12,500 split equally between HBC and the Source BMX. Neil Choudhury Associates (NCA) undertook the work. This study forms the basis of the approach proposed in this report.
6. The Source is owned by 2 Hastings based business people who have competed in BMX competitions world wide before going into business. The business was established in 2003 as a BMX shop and mail order company and now occupies a premises in Braybrooke Road. The store attracts buyers from across the region and the e mail business is world wide.
7. The business currently employs 9 people and uses its store to drive sales from the wider UK and Europe via its mail order company. It supports other employment through the outsourcing of websites, back office and other services. It has won a number of business accolades:
  - i) HSBC 1066 retailer of the year – 2005 and 2007
  - ii) HSBC 1066 community business – 2008
  - iii) Ride BMX Magazine retailer - 2001,2012, 2013
  - iv) Independent cycling retailer award – 2012, 2013
8. In 2014 the company supplied all the BMX cycles and equipment to the London Olympic Veladrome. In developing proposals for this project they have adopted the following mission statement:-

“The Source is committed to creating the most famous skatepark and retail store in Europe”

9. The company proposes the following main thrusts to work in WRB:-
- i) A world class competition standard park operating 7 days a week for both users and competitions
  - ii) A beginners' skatepark with ramps under 1m suitable for coaching and use by schools
  - iii) Outdoor ramps using a temporary airboard in the open courtyard
  - iv) Ancillary retail sales of associated BMX/skateboarding accessories, clothing and equipment
  - v) A café providing drinks and snacks – it is not proposed there should be a major catering outlet
  - vi) A media suite for the editing of videos and photos of sport and for training in media skills
  - vii) Reception area reflecting the long history of BMX and skateboarding in Hastings.
10. Hastings genuinely has a long history in both skateboarding and BMX sporting arenas and the business is both youth orientated and international and this makes it an attractive competition venue. It is expected that 4 regional and 1 international events will be held each year and the company is confident of attracting the world's best riders to these. Such events will be screened on a large screen on the Pier and by internet worldwide. It is understood similar events in Europe have had in excess of a million online viewers log on.
11. The project's business plan anticipates around 58,000 visits to the facility and an annual spend in Hastings of just under £2.9m. Large events are expected to attract a significant number of overnight stays. Estimates of spend have been based on the 2011 assessment of the economic impact of tourism. The company currently employs 9 people. If the WRB is opened it expects to employ 14 new f/t posts here rising to 16. Additionally the related expansion of mail order and other business is expected to generate a further 15 jobs over a period of a few years.
12. The proposers' confidence in their capacity to generate this business is based upon the shortage of indoor skate/BMX parks in the South East region with riders regularly travelling to Corby, Liverpool and Glasgow. A number of proposals in the north of England and Scotland are being brought forward enjoying cheap access to industrial buildings in very large urban centres. In this context the use of the WRB may well secure Hastings a regional leadership role in this area.
13. The Source has a long history of working with local young people and works with other organisations to provide mentoring and guidance for young people. The use of WRB for this purpose would re-establish the link between the building and young people which existed when it was a swimming facility and latterly an ice rink.

14. At previous discussions with members it was agreed that there was support in principle for moving forward with the proposal. It was agreed that further work was required on a number of areas.
- i) The development of a funding approach
  - ii) Clarity about issues of access for people with disabilities
  - iii) Setting out of a proposed lease and rental arrangement
  - iv) The investigation of the liability for VAT

## **West End Sustainable Development Company Proposal**

15. An additional expression of interest has been made by the West End Sustainable Development Company on 9<sup>th</sup> May, 2014. This proposal is to re-open the Baths as a music venue, entertainment centre, antiques fairs and for other activities
- i) Converting the large pool to a stage, galleries and bar
  - ii) Small baths and courtyard to BMX/skateboard facility
  - iii) Café/bar at the main entrance
  - iv) Other retail and catering outlets

It is believed that this proposed mix may not be compatible with the purposes of the Foreshore Trust but this has not been subjected to Counsel's opinion.

16. No detailed estimates of costs have been provided although they are estimated at £695k exclusive of fit out and VAT. No business plan is available, but the company would propose to invest 50% of these costs, with the Foreshore Trust receiving 50% of the profits in return for 50% investment and a peppercorn lease.
17. The Source has confirmed they do not regard it as possible to develop a joint business venue on the basis described.
18. The West End proposal has not been developed and tested. It is not viewed as an alternative to The Source proposal because:
- i) The proposed use may not be within the Trust's scheme parameters
  - ii) No rent is payable and a share of the profits would be entirely uncertain.
  - iii) Issues of capacity and safety for this type of activity have not been explored and the company has suggested a capacity of 1,500 which is a significant increase from the current 600. This will need to be discussed in depth with both Building Control and the Fire & Rescue Service and might present a significant challenge.
  - iv) No in depth information has been provided about the costs of proposed work or that support projections of financial viability.

## Proposed Approach

19. It is not practicable to substantially delay The Source's proposal and should adhere to a timetable which will achieve their desired opening date. They consider this essential to the successful launch of the business in the premises. For all these reasons it is not recommended that the West End option is pursued further.
20. It is proposed that the development of the Source proposal is achieved in two principle ways:-
- i) The Foreshore Trust undertakes the refurbishment of the building to ensure it is ready for this use, at a total cost of around £822k. This to be funded through a mixture of borrowing financed through rental income and grant aid from HBC, Foreshore Trust and external funders.
  - ii) The fitting out and equipping of the building to be financed by The Source at a currently estimated value of £226k.
21. Part of WRB is currently occupied by the Hastings Pier Charity on a lease ending in 2018. If The Source project is successful this might be additionally rented from the Foreshore Trust at that point or earlier if this suits the Pier Charity.

## Refurbishment

22. As previously reported, it is not thought that any substantial structural issues exist which would require major works to be carried out to enable a 10 year lease to be agreed. The Source wish to bring into use the courtyard, entrance building, east (small) pool, lounge and west (large) pool area. Officers worked together with The Source and these costs are estimated at £822k, although it must be stressed that this needs to be tested through competitive tender. As the economy recovers, building costs will rise and it is likely rapid tendering and implementation will be required to contain the costs. The proposal will include:-

- |   |                                    |
|---|------------------------------------|
| * New electricity and lighting throughout                     | * New floor in the east small pool |
| * Replacement doors and windows                               | * Toilet provision                 |
| * Improved access   | * Security                         |
| * Waterproofing and leakage management                        |                                    |
| * Internal decoration through shotblasting and spray painting |                                    |
| * Improved insulation and ventilation                         |                                    |

23. The building is subject to regular inspection and although it appears dilapidated advice is that its overall structural integrity has not suffered. Although it was estimated (in 2009) that the full range of repairs required to concrete might cost £650k the bulk of these do not need to be addressed for a project of this nature.
24. The lower basement is subject to flooding and this area will continue to require pumping out. Whilst empty, the building has suffered regular break ins and criminal damage and this has required additional security improvements and repairs.

## Disabled Access

25. Because of its construction over 3 levels and its original purpose, the building does provide a challenge in making it fully accessible. The Source, as service provider, would be responsible for meeting DDA guidelines and making the building as accessible as is reasonable and practicable.
26. It is felt that access can be improved as part of the refurbishment through the provision of a ramped entrance, repairing the internal steps and using high contrast materials, installing hearing loops, power assisted doors and a stairlift to give wheelchair access across to the west pool area and the accessible toilet facilities. Any further improvements and provision for specific access requirements would be for the operator to establish as part of an Equalities Impact Assessment. Initial informal consultation with local access groups and local user groups has established that the proposed adaptations would be acceptable.
27. Hastings and Rother Disability Forum have been consulted on the proposed project. The potential activity is not one that can be undertaken by those with significant physical disabilities. However, the proposed improvements to the building would allow spectators with disabilities to access the west balcony and this would enable family and friends of competitors of participants to attend. This will complement other improvements to stairs, lighting and signage that will aid access. The Forum is supportive of the project.
28. The Source will undertake a formal equalities opportunities impact assessment of the scheme if it received the go ahead. They are anxious to be as inclusive as possible and intend that the activities ranging from fun to highly competitive are taken up by people with a wide range of capabilities.

## VAT

29. The Head of Finance has received initial advice that VAT would be reclaimable on this project and a further meeting is taking place on the 28<sup>th</sup> May.

## Legal Position of the Foreshore Trust

30. The Chief Legal officer has obtained Counsel's advice regarding the proposal:-
- i) That it is legitimate for the Trust to invest in improving the asset as long as the improvements would not make it suitable solely for a specialised area.
  - ii) That in principle it could borrow against the project subject to independent financial advice in this respect about the reasonableness and appropriateness of any arrangement.
  - iii) That the terms of any lease protected the Trust by ensuring access at a reasonable cost and that the users are compatible with the Trust's purpose (which they appear to be).
  - iv) That the Foreshore Trust obtains independent advice from a qualified surveyor on the level of rent (this advice has been obtained).

## Coastal Users Group

31. Coastal Users Group [CUG] received a briefing on the proposed use of WRB facility at its meeting and gave a very supportive response to the idea of the BMX facility. They asked for further information when a decision had been made and will receive a full briefing at their next meeting.

## Proposed Lease

32. It is proposed that the lease should be made for 10 years. The proposed rental is £36k per annum which is in line with advice received from independent valuation.

33. It is suggested that as the Trust will insure the premises whether it is vacant or not it might be appropriate to support the early development of the business through relief on insurance for the first 5 years.

## Internal Fit Out by the Tenant

34. This will be the responsibility of the company and they will provide:-

- |                                   |                             |
|-----------------------------------|-----------------------------|
| * Main skatepark                  | * Reception area            |
| * Beginners skatepark             | * Workshop/maintenance area |
| * Retail unit                     | * Café design/fit out       |
| * IT                              | * PA and visual             |
| * CCTV                            | * Signage                   |
| * Launch and staff training costs |                             |

## Financial Implications

35. Officers have been working to identify a funding package that would support the scheme. The package that is being developed is as follows:-

- |  |              |
|--|--------------|
| • Loan from Hastings BC funded by rental income  | £300k        |
| • Funding sought from East Sussex County Council | £200k        |
| • Investment by Foreshore Trust                  | £150k        |
| • Grant by Hastings Borough Council              | <u>£172k</u> |
|  | <u>£822k</u> |

The final shape of any package would depend upon the costs identified at the end of the tendering package.

36. It is estimated that £300k of borrowing over a ten year period could be supported by a rental income of £36k per annum. The funds would be forwarded by the Council either from :-



- (i) borrowing at a fixed rate from the Public Works Loan Board for a ten year period and then lending at no additional cost to the Foreshore Trust (based on an annuity loan).

In this event the Foreshore Trust would reimburse the Council the actual costs of any borrowing. Such sums that are payable by the Council to be match funded and paid by the Trust so that cleared funds are available to the Council to meet the repayment requirements.

- (ii) using capital receipts or revenue resources or a mixture of the two.

In this event the Foreshore Trust would reimburse the Council at the same rate as if the monies had been borrowed by the Council and advanced to the Trust. To limit the potential interest rate exposure of the Trust the loan rate would be the lower of the PWLB rate in force at the time for a new ten year annuity loan or 3%.

37. Whilst the Source is currently a profitable business and has been trading for a number of years, there is a risk that the venture will not succeed for the full 10 year period. If this were to be the case, unless another tenant is found the Trust would be required to meet the loan payments (or equivalent) for the remainder of the 10 year period.

To limit the potential impact on the Trust, it is proposed that the Council would share this risk on a 50:50 basis. For clarity, if the annual borrowing cost (or equivalent) is £36,000 and the venture failed, the amount payable per annum by the Trust would be reduced by 50% to £18,000 p.a. If a new tenant was found at that time but the rental stream achieved was lower, then the shortfall would be shared.

38. Officers have liaised with colleagues at East Sussex County Council and have received considerable interest in the economic, social and cultural benefits of the project. It is hoped that between £160k-£230k might be obtained through this work but this is clearly not in the gift of HBC officers. For the purposes of this report £200k has been identified as a mid point on this range.

39. If the loan is agreed and the County Council agrees to contribute, the current funding gap would be £322k. It is not possible to be fully confident of this final figure until tendering and the outcome of the bid to the County Council is known.

40. The Foreshore Trust has programmed spend of £505k in its 2015-16 Business Plan, £430k of which has previously been earmarked for the Rock a Nore car park. It is now proposed that this scheme be deleted from the Trust's main programme, but that regular maintenance be enhanced and, when necessary at peak times in the year, a person be employed to ensure cars park properly.

It is proposed that in addition to the works funded by loan the Trust contribute £150,000 towards the works – funded from Reserves.

The future use of the remaining balances amounting to £306,000 (at 31 March 2015) to be considered at the time of the next review of the Trust's business plan.



41. Hastings Borough Council have previously identified £170,000 of Area Based Grant funding for the refurbishment of WRB as a regeneration project although this has now been incorporated into the Council's general resources. It is proposed that the Council make a Capital Grant in the sum of £172,000 from Capital receipts, or if insufficient receipts are available from under spends within the 2013/14 financial year and this will be considered at the Cabinet meeting on the 9<sup>th</sup> June.

## Next Steps

42. The procurement, design and construction phases of the works required to render the building ready for occupation and fit-out by the tenant involves various stages and is necessarily lengthy. The Council's procurement service has been engaged to review the feasibility study and has prepared an outline timeline on the basis that a contractor be procured to act as lead consultants and project manage the contract, and subcontracts, through to completion of the works. The procurement of the main contractor is anticipated to take three months, followed by a detailed design phase and then tendering of the construction contract. Construction is anticipated to start in spring 2015 and will take approximately 6 months. The Source anticipates a 13-week fit-out, and it may be possible to overlap elements of this work with the tail-end of the Council's construction work. On this basis, it is feasible that the building would be operational shortly before Christmas 2015.

## Policy Implications

43. **Equality and Community Cohesion** – The proposal would specifically allow the WRB to meet the needs of young people for recreational activity and open opportunities for mentoring, training and the development of social skills. This would be a “young peoples” focused initiative at the heart of the Foreshore Trust's estate and on the wider seafront. It is difficult to see how this would not contribute to community cohesion.

44. The Source already undertake work to support bespoke activity by people with mental health issues and support a separate girls group. The new facility will assist them to expand their work with local people facing disadvantage.

- i) Outreach work with local schools which serve the Borough's disadvantaged communities.
- ii) Developing training which will enable less confident or younger people to take up these sports. This might particularly benefit young women and others develop the confidence to enjoy and succeed in these types of sports.
- iii) Membership packages which would enable regular local users to gain lower priced access to the facility.

45. **Crime and Fear of Crime** – The project should (as stated above) offer a significant opportunity for young people who are both disproportionately the victims and perpetrators of crime. The facility should not provide nuisance and will not feature a licensed bar. The seafront and town centre should be better used (particularly as the Pier opens) and this should increase perception of safety and security.

46. **Risk Management** – by its very nature no guarantees can be given about the success of the venture proposed for the WRB. However, it is believed the risks have been addressed as far as it is possible.
- i) The project proposal and business plan has been reviewed by Let's Do Business Group who have been supportive of the project and believe its estimates are robustly based.
  - ii) The fitting out of the building will be the responsibility of the company. If the business fails an improved space will be available for re-letting.
  - iii) The company's accountants have given assurances about its position and it has been trading (and growing) since 2003. The Borough Finance officer will arrange for a more formal comment to be made.
  - iv) The risk of not pursuing this option is that the building remains unused for a further lengthy period. This would miss the opportunity for success offered by coinciding its opening with that of Hastings Pier to establish a mutual "win/win" for both premises and the town.
47. There are two funding risks. The first is that tendered costs will considerably exceed the estimates of the Architects. Using the East Sussex Procurement Hub should mean that competitive prices should be obtained but as with all such exercises this cannot be guaranteed. The second is that County Council funding will not be forthcoming. In the event of the funding package being inadequate consultation with the Chair of the Foreshore Trust, Lead Member for Regeneration and Director of Corporate Resources will take place to determine the best way forward.
48. **Human Rights** – No implications identified.
49. **Organisational Consequences** – No implications identified.
50. **Local Peoples Views** – Early discussion at the Coastal Users Group [CUG] indicated some significant support for the intended use of the building. However, this will need to be further tested through detailed discussion of costed proposals.
51. **Environmental Issues** – No substantial implications have been identified other than a general improvement to this part of the seafront. It is felt that although there will be some implications for traffic this is likely to be limited as many young people will arrive by public transport or bike.
52. **Economic Issues** – The proposed project is intended to have a range of benefits. It is anticipated that 31 jobs will be created and there will be a direct impact upon the visitor economy of £2.9m per annum

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## Wards Affected

Castle

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## Area(s) Affected

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Report Template v25.0

None

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## Policy Implications

Please identify if this report contains any implications for the following:

Equalities and Community Cohesiveness	x
Crime and Fear of Crime (Section 17)	x
Risk Management	x
Environmental Issues	x
Economic/Financial Implications	x
Human Rights Act	
Organisational Consequences	
Local People's Views	x

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## Background Information

Insert a list of appendices and/or additional documents

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## Officer to Contact

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