

Dr G J Burrell

Hythe, Kent, CT21

Tel: 01303 , Mob: 07 , Email:

24th February 2025

FAO: Mr Paul Dossett
Grant Thornton UK LLP
30 Finsbury Square
London EC2P 2YU

Sent by email.

Copies to:

Dr Susan Priest, Chief Executive, FHDC,
Sophia.Y.Brown@uk.gt.com, Grant Thornton

Dear Mr Dossett

Rebuttal: Grant Thornton's Response re Objection to Accounts FY21/22

1. Having read your response dated 9th January 2025 to my Objection to the FHDC Accounts 2021/22, I find it necessary to inform you that your response is a seriously flawed representation of the facts and totally fails to address the evidence I provided. I therefore reject your response and ask that you revise it after giving proper consideration to the issues I raised.
2. Your method of undertaking this investigation is fundamentally deficient and biased. You have failed to make any reference to the facts reported in my Objection, dated 4 March 2023, as supplemented by the detailed evidence laid out in my Appendices (A to E) and my Addendum dated 22 March 2023. Without even the courtesy of seeking any clarifications from me regarding the matters I raised, you have proceeded to take at face value the reports made available to you by the council's current officers. You have ignored the evidence presented in my objection that stems from failures and data misrepresentations by the officers previously in post during (and prior to) the accounting period concerned. Your approach has led to false conclusions about the reasons for failure of this complex project.
3. While my objection to the accounts was, by necessity, restricted to financial activities that occurred during FY 2021/22, your response introduces information that falls outside of that accounting period. Much of that information however deviates dramatically from true facts and I need therefore to draw your attention to those substantial errors in this response.
4. Furthermore, you have unjustifiably condoned the council's reliance on contractors to manage control over their expenditure when those self-same contractors are engaged in undertaking the project-delivery work and have their own vested interests in retaining their already-awarded contracts.

Early Days - Poor Value-for-Money from the outset

5. You are correct that the leisure centre project had its origins in 2008. However, on 6 August 2008 Cabinet endorsed report C/08/05 which concluded in section 5.3: "*The most feasible option identified involves the construction of a facility as part of the redevelopment of Nickolls Quarry*".

That meeting approved the key action to: “*Conclude negotiations in relation to the S106 agreement and further develop project plan for the replacement of Hythe Swimming Pool*”.

6. In May 2010 the Nicholls Quarry development (now known as ‘Martello Lakes’) was subsequently granted outline planning consent with an associated S106 agreement that included the following financial advantages:
 - a) An index-linked cash sum of £3.2M; plus
 - b) 1.6 hectares of land suitable for the leisure centre to be built upon, for the notional sum of £1; together with
 - c) Groundwork preparation, including levelling above the flood plain and remediation, to be provided by the Nicholls Quarry developer; and
 - d) All infrastructure, access roads, and utilities feeding the site to be provided by the NQ developer.
7. Not only was the land, infrastructure and utility supplies for a leisure centre to be provided by the NQ landowner at no cost to the council, the inevitable abnormal, high cost elements for any development on Princes Parade would not be incurred.
8. Further, the same proceeds from sale of the existing swimming pool site would apply for both Nickolls Quarry and Princes Parade.
9. Previously, significant problems on Princes Parade had been identified with contamination during studies undertaken for FHDC in 2002 (*Ground Solutions Group Ltd*), and also in 1987 when planning consent had been granted for a marina on the site. The latter proposal had to be abandoned for technical reasons, including contamination issues, after being considered by a parliamentary select committee in June 1990.
10. **The alternative Nicholls Quarry site therefore had a substantial financial advantage and would incur much lower risk than a development on Princes Parade.**
11. On 13 April 2016 Cabinet was presented with a brief (7-pages, mainly diagrams) Land Use Options report prepared hurriedly over a 3-day period (14 -17 March) by *Tibbalds Planning & Urban Design Ltd*. This was based on verbal instructions at a single site visit (14 Mar) and did not consider the complexities arising from, for example, the contamination, flood risk, drainage and heritage issues, nor was it known whether such a development would be financially viable. That superficial report was accepted by Cabinet as the basis for pursuing a complicated hybrid planning application for the Princes Parade development. Subject to a Waiver that had been raised on 20 March 2016 and approved on 11 April 2016, *Tibbalds* were awarded an untendered £91k contract, to ‘oversee the preparation and submission of a planning application’. Shortly after, *Tibbalds* were awarded a further £98K contract and the council also appointed a number of disparate supporting contractors to provide inputs to *Tibbalds* on individual elements of the project.
12. Overall project control was exercised by two council officers – Head of Strategic Development Projects, and Planning Policy Manager – both originated from the Planning Department which did not provide them with sufficient hands-on project management experience for this complex programme. On 12 Sept 2016 *Tibbalds* emailed those officers seeking a “back of the fag packet” financial viability assessment based upon cost information from the sub-contractors. Quantity surveyors, *Betteridge & Milsom (B & M)*, were contracted to undertake the appraisal but this was based upon disparate inputs from the contractors that provided inadequate information to capture the full costs for this complex multi-faceted programme.

Independent review by Design South East raised critical issues that were not disclosed

13. The design approach set during 2016 was based upon an Affordable Recreation Centre design that had been proposed by *Strategic Leisure* to include a 25 metre swimming pool, teaching pool, gym and a **sports hall**. This was considered to be the “**minimum** facility mix”.
14. In anticipation of a planning application the Chief Planning Officer (in post at that time prior to his subsequent resignation) commissioned *Design South East (d:se)* to undertake an independent design review, involving six *d:se* experts, starting with detailed briefings from the project team (which included council officers and Tibbalds) and a site visit on 23 November 2016. The published review was highly critical of the proposed scheme, stating in respect of costs:
 - a) “*We believe the proposal to re-route the road is misconceived, introduces unnecessary costs and undermines the character of the site.*”
 - b) “*The site has extraordinary development costs. Understanding these will be crucial to the quality of the design.*”
15. Further, *Design South East* had been advised that the scheme would include a sports hall, as had been established as an essential requirement within the Minimum Facility Mix. Instead, the council’s project team presented a business case (report C/16/102) to the 7th February 2017 Cabinet meeting without drawing attention to the fact that the sports hall had been removed from the scheme. Cabinet approved the intention to prepare a planning application without being made aware of any of the defects of the project identified by *d:se*, **nor were the adverse financial implications disclosed.**

Setting a substantially deficient budget in February 2019

16. The February 2019 budget for the project of £29.6M was based on the viability estimate made by *Betteridge & Milsom* during 2018. However that included a major under-estimation of the costs, which was later disclosed by the council’s own contractor, *Faithful & Gould*, on 23 Feb 21 – as was identified in my Appendix D.
17. Importantly, the *B & M* viability assessment included anticipated, essential proceeds from the sale of the residential and commercial areas of the Princes Parade land, as evaluated by *Savills*.
18. Section 1.6 of the *Savills* report clearly states, in respect of the residential land, that certain costly elements of the site preparation work are to be provided by the council (via their contractors): “*Our appraisals assume fully serviced development sites but some infrastructure is assumed to be provided by contractors of Shepway District Council including realignment of the road, remediation treatment for the former tip area and off-site service infrastructure, together with the provision of the linear park landscaping.*” *Savills* reinforce this point by stating in their Conclusion: “*It is important to note that to carry this through, relatively expensive infrastructure required to service the land is funded by Shepway District Council; if a residential developer had to construct this infrastructure (realigned road, remediation and off-site services) then the cost of this would be deducted from the land value and would impact upon the profit return together with the cost of finance.*”
19. While *B & M* have included a sum of £2.4M for all “site clearance” and “preparatory groundworks” for the whole site within phase 1 of the programme, that figure falls woefully short of being realistic. In addition, it fails to recognise the practicalities of a subsequent residential build programme that will span several years, involving phases of excavation work for drainage, piling and releveling the plots.

20. The proceeds of sale estimated by *Savills* as £14.3M for the residential and commercial areas would inevitably become unachievable after allowance is made for the extensive site preparation work.
21. The above budget deficiencies were advised to the council by three separate members of the public, all with relevant professional experience and technical knowledge of the site, prior to the February 2019 Cabinet meeting. The council failed to heed that advice. That was the principal reason for the ultimate failure of the project.

Your report's claim that *"Therefore, at the time, it is clear to us that the external consultants did not identify any financial/affordability risks to the project"*. **That claim is demonstrably incorrect.**

Arlingclose Review

22. Your report claims to have considered the main findings from the *Arlingclose* Review but has listed precisely (word for word) the content of the report provided to Cabinet members in February 2019. Importantly, that information **differs substantially** from that presented within the *Arlingclose* Review itself. Not only were Cabinet members mis-informed, but this also seems to imply that Grant Thornton may not have read the actual *Arlingclose* report.
23. When undertaking their desktop review, *Arlingclose* had no means of assessing the accuracy of *B & M's* figures and therefore were obliged to assume they were correct. Nor were *Arlingclose* in a position to confirm the accuracy of *Savills'* figures. The *Arlingclose* approach is entirely reasonable in that they provided a review of the financial options on the basis of the figures provided to them by the council. They have **not** provided an independent review of the figures, as is incorrectly implied in your letter.
24. The list you have presented as being the findings from the *Arlingclose* review does not appear anywhere within that consultant's report. It is an interpretation presented to Cabinet, and now accepted by Grant Thornton as being correct.
25. The key points of issue (as taken from your letter and the report to Cabinet) are:
 - a) *"These estimates have recently been reviewed to ensure they remain relevant and accurate"*. The review referred to is that undertaken by *B & M* reported in January 2019 and was subsequently found to be deficient (Feb 2021). Neither *Arlingclose* nor *GT* have reviewed the estimates to ensure relevance and accuracy, as you have implied. Further, the Feb 2019 Cabinet were advised by public experts of the financial deficiencies but chose to ignore those representation. You have claimed incorrectly that *Arlingclose* provided the necessary financial assurance.
 - b) *"The capital scheme is deliverable without the need for long term borrowing"*. That statement is contrary to section 6 of the *Arlingclose* report, which assumes the *B & M* estimates are sufficient and that all funding sources (e.g. residential sales) are achievable and timely.
 - c) *"The forecast capital funding streams will produce surplus capital receipts of about 1.2m over the estimated capital cost"*. Again that is not an assurance by *Arlingclose* but refers to an outcome that is totally dependent on the accuracy of *B & M's* estimates. The fact that external experts had indicated the estimates were significantly deficient was not disclosed to *Arlingclose* who were therefore unaware of the need to independently review *B & M's* figures.
26. Critically *Arlingclose* state in their para 6.5: *"As with any project of this size there will be risks around the delivery and as the whole project is dependent on Phases 1 and 2 being delivered the Council is exposed to major risks if some of the funding sources are not forthcoming"*.

27. I therefore totally reject your following assertion since it is an incorrect interpretation of the facts: “The Arlingclose review therefore provided the Council with assurance over the robustness of the key financial estimates for the project and that the operation of the leisure centre was expected to be financially viable over its lifetime”. The “assurance” you have claimed does not appear in the Arlingclose report.
28. You also claim: “Our overall conclusion for this stage of the process was that the project was properly informed and entered into on a reasonable basis at the time”. I dispute this conclusion because at the time of the B&M assessment in Jan/Feb 2019 the council had been made aware of the shortfalls, but chose to ignore them; instead they continued with a project that had a very high risk of failure. The conclusions attributed to Arlingclose were reported inaccurately to Cabinet, and were also withheld from public scrutiny.

Cabinet 26 January 2022

29. As reported to Cabinet (report C/21/75 para 2.6.2), the council had **agreed** to sell their residential land at Princes Parade and existing pool site (South Road) for £26.6M – a sum upon which the project relied to conform to the new uplifted budget of £45M. While not mentioned in the report, the purchaser was known to be *Sunningdale House Developments Ltd*, a company saddled with debt and insufficient capital to complete the purchase. The council **failed to undertake ‘due diligence’** – which was a serious failure of process. Inevitably the company subsequently went into administration.
30. The paper submitted to Cabinet was therefore not “*a comprehensive, detailed and balanced update on the project*” as you have claimed. Further it failed to draw attention to the reductions in specification and quality that, even then, remained to be confirmed. It is naïve to believe that an adequate leisure centre could be delivered for a ‘fixed price’ when key elements of a loose specification were still being eroded within the design. The fixed price would leave an undetermined, but substantial risk and an extensive amount of work for the council itself to take on board.
31. Sufficient evidence existed both prior to, and in, February 2019 to justify aborting the project in favour of the lower cost, much less risky Nicholls Quarry option. My objection included documented evidence of the inadequacy of the Feb 2019 budget at that time, which was further confirmed by *Faithfull & Gould*, and known to the council, in February 2021 – nearly 12 months before the January 2022 meeting, but not disclosed.
32. Your conclusion that the project “*still appeared to offer reasonable Value for Money*” is ludicrous; it certainly did not justify continuing the project beyond February 2019. It had become an even worse decision in January 2022.

Leader’s decision 1 November 2022

33. You conclude that “*We are satisfied that the additional utility and interest rate pressures that resulted in the decision were not possible to have predicted and that the ‘previously unforeseen’ project costs were not unreasonable for a project of this scale and complexity*”. While I accept that the additional utility and interest rate pressures were unforeseen, I have outlined above why **the real reasons for the project’s failure should have been foreseen** since they stem from the inadequacy of the February 2019 estimates. This was exacerbated by the council’s inability, and unwillingness, to accept expert external advice and recognise that the project carried a disproportionate cost overhead due to its scale and complexity.

IN CONCLUSION

34. Setting aside Grant Thornton's inexcusable 22 months delay in addressing the issues raised in my Objection, you have ignored the detailed evidence I submitted and done so without providing any reason whatsoever for deciding to reject it. All my evidence (and more) originates from the council itself and is documented in the public domain or from FOI requests. The response you have now provided is in direct conflict with the facts.
35. I totally reject your view that circumstances did not exist to justify terminating the project earlier, i.e. in 2019. I have provided evidence that shows such evidence did exist and should have been taken into account. That failure has not only led to a substantial wastage of council-tax payers' money for a project that was poor Value for Money, it has almost certainly eliminated the council's ability to provide a replacement swimming pool for Hythe on the only site that had been available to the council, namely Nicholls Quarry (Martello Lakes). A high likelihood now exists that that option cannot be re-instated.
36. As regards transparency, the main issue is that the council provided misleading information that distorted the councilors' ability to take properly informed decisions and also mis-led consultants such as *Arlingclose*.
37. I accept that a Public Interest Report is a matter for the auditor's discretion. I am however seeking that Grant Thornton responds to this letter with a statement that you accept the veracity of the points I have raised. Depending on your response, I would wish to place a record of this matter in the public domain on 1st April 2025.

Yours sincerely,

A solid black rectangular box used to redact the signature of the sender.

Dr G J Burrell