

Subject:	Saltdean Lido Restoration		
Date of Meeting:	14th February 2019		
Report of:	Executive Director, Economy, Environment & Culture		
Contact Officer:	Name:	Ian Shurrock	Tel: 01273 292084
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Ward(s) affected:	Rottingdean Coastal		

FOR GENERAL RELEASE

1. PURPOSE OF REPORT AND POLICY CONTEXT

- 1.1 The council has sought to achieve the restoration of the council owned Saltdean Lido to enable the long term sustainability of the facility since the surrender from the previous leaseholder in 2011. Saltdean Lido CIC (SLCIC) has made remarkable progress to achieve the restoration of the outside pools, since being appointed by the council as the preferred leaseholder for the Lido. SLCIC have received the offer of a conditional grant of £4.200m from the Heritage Lottery Fund (HLF) towards the restoration of the main building. This offer is conditional principally upon the SLCIC achieving the match funding for the project within a time limited period.
- 1.2 SLCIC were set to achieve the match funding until applications to the Coastal Communities Fund (CCF) for £1.400m and Power to Change for £0.300m were unsuccessful. SLCIC have requested the support of the council to assist with the project shortfall of £1.600m to enable the restoration of the main Lido building at an estimated cost of £7.500m to progress.
- 1.3 This report considers the options to the council to assist with the funding shortfall and the potential implications if assistance is not provided to restore Saltdean Lido – an important Grade 2* heritage asset listed on the Buildings At Risk Register.

2. RECOMMENDATIONS:

- 2.1 That the Committee:
 - 2.1.1 agrees to the request from Saltdean Lido CIC and underwrites the shortfall in funding of £1.600m towards the restoration of Saltdean Lido to secure the HLF grant of £4.200m;
 - 2.1.2 agrees that if the Saltdean Lido CIC fails to identify alternative sources of funding that the council will provide funding of up to £1.600m pursuant to a funding agreement;

- 2.1.3 agrees that if the council provides the funding of up to £1.600m it shall fund the contribution by borrowing and be included in the capital investment programme;
- 2.1.4 notes the Saltdean Lido CIC have an outstanding loan of £0.220m and agrees to reschedule the loan repayments with a deferment of 9 months as set out in paragraph 7.4;
- 2.1.5 grants delegated authority to the Executive Director Economy, Environment & Culture to agree the terms of the funding agreement and take all necessary steps to implement the recommendations above.

3. CONTEXT/ BACKGROUND INFORMATION

- 3.1 Since 2011 a range of reports on Saltdean Lido have been considered by Policy, Resources & Growth Committee as well as service committees. These reports are listed for in “Background Documents” at the end of this report. A summary of the key developments in relation to the Lido over that period are summarised as follows:

Surrender of previous lease

- 3.2 The long-term 125 year lease of the Saltdean Lido site was surrendered by Saltdean Lido Limited (head lessee) on 6th June 2012 following a period of negotiation with the council.
- 3.3 The surrender was the culmination of negotiations with the leaseholder following the council serving a notice under the lease regarding aspects of disrepair on 12th May 2010. The lessee served a counter notice which meant no further action could be taken without resorting to court.
- 3.4 The building had been put on the Building at Risk register on 19th October 2011. This register is used by English Heritage as part of its Heritage at Risk programme which was established “to identify historic assets that are at risk of being lost through neglect, decay or development or are vulnerable of becoming so”.
- 3.5 A Special Policy & Resources Committee on 30th May 2012 authorised the surrender of the previous lease of Saltdean Lido by Saltdean Lido Limited. This followed concerns about the standard of service that was being provided and the level of maintenance being undertaken on the main Lido building.

Appointment of SLCIC as preferred bidder for Saltdean Lido

- 3.6 In March 2013 the council marketed the Saltdean Lido site by inviting expressions of interest. Those interested parties were provided with further information and invited to submit an Initial Bid which was evaluated on their ability to meet the following list of key outcomes:

- A well-used, accessible, year-round community and leisure facility
- A building and surrounding grounds that are renovated in a manner that would be likely to receive Listed Building Consent and, if required, planning permission

- Improved swimming pool provision
 - Financially sustainable for the term of the lease including meeting all maintenance requirements and statutory obligations
 - Improved library facilities
 - No ongoing BHCC subsidy
 - An environmentally sustainable facility
- 3.7 The SLCIC were appointed preferred bidder by Policy & Resources Committee on 5th December 2013, which enabled negotiations to commence with the council on the terms of the lease.
- 3.8 SLCIC then worked hard to obtain the funding for Phase 1 of the project (outdoor pools) and develop Phase 2 (restore the main Lido building) to generate income for the long term sustainability of the site as a whole. Significant progress was made resulting in a further report to Policy, Resources & Growth Committee in February 2017.

Policy, Resources & Growth Committee February 2017

- 3.9 At the Policy, Resources & Growth Committee in February 2017 the following were approved:
- Entry into the Conditional Agreement for Lease with SLCIC.
 - Entry into the 60 year lease for the Lido when the conditions are satisfied in accordance with the Conditional Agreement for Lease.
 - Grant funding of up to £0.700m for temporary library provision and a new library in the restored Saltdean Lido and agree to include this commitment in the capital programme 2018/19.
 - The investment of up to £0.700m would be funded through borrowing with the financing costs estimated to be £0.040m per annum, and agree to this commitment being included in the Budget from 2018/19.

Project Summary

- 3.10 SLCIC have summarised the full restoration project as:

“To restore Saltdean Lido, the only grade II* listed coastal lido in the country: SLCIC will sympathetically restore the building whilst creating a commercially viable leisure destination. The Lido will become a community resource and tourist attraction with a heated pool and poolside café, children’s pool and wet play area, multi-use function and event space, community space and a library, all incorporating features which interpret and celebrate the heritage of the building. The Lido will be managed by the SLCIC to ensure that the heritage remains protected and accessible to local people. Saltdean Lido will become a national tourist destination, its iconic design social history will be celebrated and visitors will have access to high quality facilities. New employment, volunteering opportunities, and apprenticeships will be created. Our robust Business Plan will

ensure a sustainable future for the site and will act as a catalyst for economic growth.”

The restoration is being undertaken in phases:

Phase 1 Works – which enabled the pools to open in 2017

- 3.11 SLCIC made successful bids to the Coastal Communities Fund for £2.290m and Social Investment Business Fund for £0.440m to enable Phase 1 to be undertaken. This funding contributed towards the restoration of the outdoor pool, reinstate the children’s pool, provide a new plant room for the circulation and heating of the pool water, landscaping around the pool and changing rooms (Phase 1). A significant proportion of the S106 funding from the Ocean Hotel development (£0.170m) was also used in the funding of these improvements. SLCIC requested a short term loan from the council of £0.030m towards the Phase 1 works which was repaid.
- 3.12 A 5 year lease has been granted to the SLCIC for the external area. This lease would cease upon the granting of the long term lease for the whole site for the full restoration. The re-opening of the pools in the summer of 2017 was well received with Fusion Lifestyle operating the pools on behalf of SLCIC.
- 3.13 The opening weekend was extremely popular and received national publicity. Over 35,000 attendances have been achieved for each of the seasons the pool has been open. Although the pool has been successful in terms of usage, the operation runs at a loss and is highly unlikely to be sustainable without income generating activities from a renovated main building.

Revision of Stage 2 Funding Application to the HLF

- 3.14 SLCIC were successful in being awarded a Stage 1 grant from the HLF of £0.576m to fund the development of a detailed Stage 2 funding application for a grant of £4.200m. A loan of £0.220 million from the council to SLCIC was approved at Policy, Resources & Growth Committee in November 2017. This was required to fund the revision of a considerable number of individual documents for an updated Stage 2 bid to the HLF within categories including:

- Development Appraisal and Conservation Deficit
- Project and Construction Management Structure
- Activity Statement
- Project Expenditure Cash Flow
- Cost Forecast Breakdown including Cost Plan and Risk Profile
- Design and Services
- Management and Maintenance Plan
- Conservation Plan
- Business Plan
- Letters of Support
- Briefs for Delivery Works, Job Descriptions
- Partnership Agreements
- Delivery and Project Programmes
- Interpretation Plan
- Fundraising Strategy

- 3.15 A key element of the revision was a new method that has been developed in relation to concrete refurbishment. The use of sea dredged aggregate in the original construction and the harsh sea environment has led to a twofold attack on the integrity of the concrete structure which is now in very poor condition. Consultants working on behalf of the SLCIC in conjunction with Heritage England have revised the method to restore the main building which meets Heritage and Listed Building regulations. SLCIC indicated that this new method has greater certainty of cost with a saving of over £1.000m of refurbishment costs from the original proposal.
- 3.16 Also fundamental to the revised application is the Business Plan to achieve the long term sustainability of the whole Lido complex. The restoration of the main building would create income generating opportunities to assist with the ongoing maintenance and operation of the main building, while also subsidising the operation of the outside pools. The income generating areas proposed for the main building include:
- Catering (SLCIC achieved £0.120m from crowdfunding towards the café)
 - Functions and events (including weddings)
 - Community hires
 - Start-up businesses
- 3.17 SLCIC have engaged a range of professional expertise to develop the bid to the HLF including:
- Conran & Partners - Architects
 - Northgate - Quantity Surveyors
 - Chris Wood - Lead Consultant for Historic England on heritage conservation
 - Delta Green- Building Services Engineering and Sustainability
 - Carpenter Box - Accountants
 - Hemsley Orrell - Structural Engineers
 - Tricolour – Procurement
 - SIKKA – Restoration Building Materials
- 3.18 In July 2018 SLCIC were notified by the HLF that their Stage 2 application had been successful for £4.200m and a conditional grant offer was made by the HLF.

Phase 2 Works – Restoration of the main Lido building

- 3.19 The total cost for this second phase is estimated to be £7.500m (including a new library with £0.700m of funding already committed by the council) and SLCIC submitted the capital funding proposal below to the Heritage Lottery Fund (HLF) which secured a conditional grant of £4.200m. The prime condition of the HLF grant is the achievement of the majority of the match funding within a limited time period. The HLF requires a decision to be made by the council by the end of February 2019 otherwise the £4.200m would be allocated to another project which would probably take place at the HLF Board meeting in March 2019.
- 3.20 A priority of the Phase 2 works is to make the original “1937” part of the building structurally sound (the harsh marine environment and use of sea dredged aggregate in the original construction, means the building is currently in very poor condition). This would include completion of remediation work to the wings and

central rotunda (the unique art deco façade that is visible when looking from the A259).

- 3.21 These works would complete the restoration of the main building to provide a multi-use function and event space together with community space. In addition, the proposal includes providing an extension to the restored Lido building which would house a new library. Planning permission and listed building consent has been granted for the works.
- 3.22 Consideration has been given whether to recommend that the council enters into the building contract(s) itself if the council assists with the shortfall for the Phase 2 works. This has not been recommended as the risk of the contract would rest directly with the council. In addition, a wide range of funders have made contributions to SLCIC who may not have funded the council directly. There would also be a significant resource implication for the council to manage the contract.
- 3.23 If the council meets the shortfall and enters into a funding agreement with SLCIC, a monitoring role for the council to oversee the expenditure of the council funding could be included.

3.24 Saltdean Lido Restoration Project Funding

Funds already secured by SLCIC

Historic England £0.199m

Crowdfunding Appeal £0.120m

Numerous donations £0.518m including: *Garfield Weston Foundation Swire Charitable Trust, Pilgrim Trust, Michael Bishop Foundation, John Coates Charitable Trust, Rampion*

BHCC Library funding £0.700m

Total £1.537m

Conditional funds secured by SLCIC

HLF Grant £4.200m (conditional on match funding being achieved)

Total £4.200m

Funding applications by SLCIC pending decision

Various Others £0.163m

Total £0.163m

Total funds Secured/Conditional/Pending by SLCIC - £ 5.900m

Estimated Project Shortfall - £ 1.600m

4. ANALYSIS & CONSIDERATION OF ANY ALTERNATIVE OPTIONS

4.1 Consideration of options for funding capital shortfall

4.1.1 Loan to SLCIC

A loan is not considered to be a viable option. While the long term business plan for the Lido has the potential to achieve a sustainable financial position, the additional burden of servicing a loan is not viewed as achievable. Officers have reviewed the business plan submitted by SLCIC to the HLF. Furthermore, there is also a current loan of £0.220m from the council to the SLCIC which funded the revised Stage 2 HLF bid and is outstanding.

4.1.2 Capital Contribution

A capital contribution could be funded from the council's capital receipts. However, there are currently no unallocated funds available other than to divert resources from other projects.

4.1.3 Capital Contribution secured by borrowing

If a capital contribution of £1.600m was funded from borrowing by the council there would be a revenue financial pressure of £0.062m based on a 50 year asset life.

4.1.4 Underwrite the shortfall in funding

This would still necessitate the funding being identified as per options 4.1.2 and 4.1.3 above. Although it would still place the emphasis on the SLCIC to seek further funding sources whilst enabling the £4.200m to be secured from the HLF. However, it would need to be realistically viewed as a capital contribution and all funds underwritten would need to be identified, as there would be no guarantee that further funding could be achieved by the SLCIC from other sources – despite their track record of receiving significant grants.

4.1.5 Section 106 funding

Currently there is no s106 funding that may be called upon. However, in the future there are sites with planning permission in that area that when development is implemented will be providing s106 contributions. Within the s106 Agreements the indoor sports elements of 'Recreation/open space contributions' may, once received, potentially be allocated to The Lido. However there is no certainty when sums will be received and as with all s106 spends the Agreements allow for options across a range of facilities. At this early stage it is too early to make any decision on how as yet unpaid and future sums should be allocated.

4.2 Only fund the revenue shortfall to operate the pools

At present the SLCIC have a short term lease on the external area and have appointed Fusion Lifestyle to operate the pools. This is at a financial cost to Fusion Lifestyle which for the 2018 season was £16k. The weather during the 2018 season was exceptionally good and therefore a future revenue cost is likely to be higher. The main restoration project is the primary aim for the SLCIC and if this not achieved they are unlikely to continue to operate the pools. The pools would revert back to the council with the need to seek an external operator at a revenue cost to the council if they were opened. There is also a risk that an

external operator may not wish to operate the pools without the likelihood of the restoration being achieved of the main building. Furthermore, an external operator would be unlikely to accept the financial risk of operating the stand alone pools which would rest with the council. The following implications of a “Do Nothing” option in 4.2 below would also apply.

4.3 “Do nothing option” implications

4.3.1 Loss of HLF Grant of £4.200m and restoration does not take place

If the council is unable to assist with the funding shortfall the HLF will withdraw the grant offer of £4.200m and the restoration project will not take place of the main building. It is highly unlikely that the opportunity to receive such a significant sum of external funding would be achieved in the future.

4.3.2 Liability of maintaining existing building

The main building would continue to be mostly closed and a liability to the council for which there are no identified resources. This liability would only continue to increase as the condition deteriorates and the building would remain on the “At Risk Register”. At present minimal expenditure is taking place to only meet essential health and safety requirements. There is currently no identified budget for Saltdean Lido but in recent years it has been necessary to spend 24k (16/17) 29k (17/18) and a predicted spend of 38k in the current financial year. This had to be financed by reducing expenditure on the council’s other sports facilities.

4.3.3 Loss of community provision

At present most of the main Lido building previously leased by Saltdean Community Association (SCA) is closed due to the condition of the building. The only internal areas that are currently in use are a rear extension used by the SCA, the library and the White Rooms Beauty Therapy. The future of these areas including the library would be put in doubt due to the on-going deterioration. A situation could be reached where the library would close with the need to seek alternative provision to continue the service.

5 **COMMUNITY ENGAGEMENT & CONSULTATION**

- 5.1 SLCIC has a significant membership base and engages regularly with the local community through events and other activities. There has been on-going consultation with the Heritage Lottery Fund Case Officer for Saltdean Lido.

6. **CONCLUSION**

- 6.1 Assisting SLCIC by underwriting the shortfall in fund would enable the grant of £4.200m to be secured from the HLF and the restoration project of the main Lido building to progress.
- 6.2 If SLCIC are unable to achieve the restoration of the main Lido building, in all likelihood the premises would remain with the council as the freeholder and the liabilities that would bring.

7. FINANCIAL & OTHER IMPLICATIONS:

Financial Implications:

- 7.1 The recommendation to underwrite £1.600m funding for the restoration of the Saltdean Lido will mean the HLF funding conditions are substantially met and allow the £7.500m project to go ahead. It is proposed to fully fund this guarantee due to the level of uncertainty that SLCIC could find alternative funding sources of this size. At present SLCIC have a remaining target of £0.163m fund raising to achieve above this guarantee to make the estimated project costs fully funded. The £1.600m will be funded from borrowing with estimated financing costs of £0.062m per annum.
- 7.2 In February 2017 this committee approved a capital contribution of £0.700m for a replacement library within the project as well as temporary facilities during the restoration which forms part of the £7.500m scheme.
- 7.3 With restoration projects there is a greater risk of unanticipated costs and the cost plan includes a substantial contingency and build cost inflation allowance totalling 18% to help mitigate this risk.
- 7.4 In November 2017 this committee agreed a loan to SLCIC for £0.220m to support the resubmission of the grant application to HLF. If the application was successful and all conditions were met, the loan would start to be repaid in September 2018. With the delay in the conditions being met for the grant funding, it is proposed to reschedule the loan repayments within the loan agreement to commence in June 2019.

Finance Officer Consulted: James Hengeveld

Date: 03/02/19

Legal Implications:

- 7.2 The risk that providing a capital contribution to the CIC could amount to state aid is considered to be low as it will not affect trade between member states. This is because the Lido is a purely local operation which benefits those in the local area and is unlikely to attract customers from other member states. Additionally there is an argument that the Market Economy Operator Principle (MEOP) applies. There is no state aid if the council is behaving as a commercial operator would in the same situation. In this situation the council is the freeholder so by providing capital funding it is investing in its own land in the way that a commercial landlord would.
- 7.3 If the council does meet the shortfall the council is advised to enter into a funding agreement with the CIC, as a grant would not give the council sufficient assurance that the capital was being spent effectively.
- 7.4 A funding agreement which places the CIC under obligations to undertake the restoration will amount to a public works contract so officers will obtain a waiver in accordance with the council's Contract Standing Orders.
- 7.5 The threshold for a works contract is £4,551,413 so the Public Contracts Regulations 2015 will not be engaged as the funding of £1.600m would be below the threshold.

Lawyer Consulted: Alice Rowland

Date: 01/02/19

Equalities Implications:

- 7.5 The council seeks to provide a range of opportunities for residents to participate in sport and community activities across the city and the Lido is recognised as an important part of community leisure provision.

Sustainability Implications:

- 7.6 A restored Lido would include a number of improvements to the environmental sustainability of the building. As well as the concrete restoration that is fundamental to the long term sustainability of the building, other proposed improvements include enhanced insulation, energy efficient plant, air source heat pumps, photo-voltaic cells, and heat exchange between the main building and the pool.

Any Other Significant Implications:

7.7 Other Risks

7.7.1 Cost uncertainty

Restoration projects of heritage buildings are by their nature very difficult to achieve cost certainty. Therefore, the costs indicated in this briefing are estimates and subject to change. Greater cost certainty would be achieved when works are tendered, but there is still the possibility of unforeseen circumstances impacting upon costs.

7.7.2 Governance

SLCIC were appointed as the preferred leaseholder following a competitive process and have delivered a capital project in the restoration of the pools. If the council assisted with the capital funding, consideration could be given to the council having increased governance of the expenditure of that funding. For example, this could include a monitoring role of the project including oversight of the tender process for works. SLCIC would be required, in any case, to meet the requirements of the HLF grant which places controls on the expenditure of funding.

7.8 Public Health Implications

The provision of improved sport and leisure opportunities will benefit the health and well-being of the local community and other visitors.

SUPPORTING DOCUMENTATION

Appendices:

1. Site plan – area of proposed long term lease with SLCIC

Documents in Members' Rooms

1. None

Background Documents

1. Reports to the Culture, Recreation and Tourism Cabinet Member meeting on 6th December 2011 and 6th March 2012.
2. Reports to the Policy & Resources Committee on 30th May 2012, 24th January 2013, 5th December 2013, 9th February 2017 and 30th November 2017.
3. Reports to the Economic Development & Culture Committee on 20th September 2012 and 19th September 2013.

