

Subject:	Saltdean Lido Restoration		
Date of Meeting:	9 July 2020 18 June 2020 – Tourism, Equalities, Communities & Culture Committee		
Report of:	Executive Director, Economy, Environment & Culture		
Contact Officer:	Name:	Ian Shurrock	Tel: 01273 292084
	Email:	ian.shurrock@brighton-hove.gov.uk	
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 in achieving the restoration of the outside pools, since being appointed by the council as the preferred leaseholder.
- 1.2 SLCIC have received the conditional award of a grant of £4.200m from the National Lottery Heritage Fund (NLHF) previously the Heritage Lottery Fund (HLF) towards the restoration of the main building. To receive the first instalment of the grant and receive partial “permission to start” status for the project from NLHF, SLCIC are required to have a lease of the property (rather than a conditional agreement to lease that was previously required and approved). This report is requesting the TECC Committee to recommend to Policy & Resources Committee that a long term lease to SLCIC is granted for Saltdean Lido.
- 1.3 The granting of the lease would enable SLCIC to draw down initial funding from NHLF to pay all the professional services to complete the design. These professional services would go out to tender and it is the desire of SLCIC to attract companies from the local area. While this would not guarantee the restoration will take place, it would retain the potential for further significant funding from NHLF (up to a total of £4.2m) and ensures that SLCIC remains fully engaged in the project. SLCIC have already demonstrated, through the approximately £3m raised to restore the outdoor pools, their capacity to secure external funds. SLCIC continue to present the best opportunity for this council asset to be restored without full council finding. Granting of a long term lease would be the next stage to seek that being achieved.
- 1.4 Restoration of such heritage buildings are rarely straightforward and the detailed background below indicate the complexities of this particular project. The support for SLCIC in both the local and wider community in the city remains very strong

for the restoration to be achieved. The opening of the outside pools have been well received and well used to show the value of the facility to the community.

2. RECOMMENDATIONS:

That the Tourism, Equalities, Communities & Culture Committee:

- 2.1 Recommends to Policy & Resources Committee that it agrees to grant a 63 year lease of Saltdean Lido to SLCIC;
- 2.2 Recommends to Policy & Resources Committee that it agrees to accept a revised schedule of loan repayments for the outstanding loan of £0.220m and grants delegated authority to the the Executive Director Economy, Environment & Culture and the Acting Chief Finance Officer to agree the revised schedule;
- 2.3 Recommends to Policy & Resources Committee that it grants delegated authority to the Executive Director Economy, Environment & Culture and the Acting Chief Finance Officer to take all necessary steps to implement the recommendations above;
- 2.4 Recommends to Policy & Resources Committee that it grants delegated authority to the Executive Director Economy, Environment & Culture to approve the scheme proposed by SLCIC within the parameters outlined in 3.6.

That the Policy & Resources Committee:

- 2.5 Agrees to grant a 63-year lease of Saltdean Lido to SLCIC;
- 2.6 Agrees to accept a revised schedule of loan repayments for the outstanding loan of £0.220m and grants delegated authority to the the Executive Director Economy, Environment & Culture and the Acting Chief Finance Officer to agree the revised schedule;
- 2.7 Grants delegated authority to the Executive Director Economy, Environment & Culture and the Acting Chief Finance Officer to take all necessary steps to implement the recommendations above.
- 2.8 Grants delegated authority to the Executive Director Economy, Environment & Culture to approve the scheme proposed by SLCIC within the parameters outlined in 3.6.

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 below. At the end of the summary in paragraph 3.23 is an overview of the current funding position. The necessity for a lease to be signed at this time to enable progress on the project to continue, even though the project is not yet fully funded, is outlined in 3.24 to 3.27. A project that is progressing with strong

support of the NLHF has a much greater likelihood of attracting more external funders to achieve the finance required for the project.

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 recommendations 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.

Policy, & Resources Committee February 2019

- 3.10 At the Policy & Resources Committee February 2019 the following was approved:

- The committee agreed the request from Saltdean Lido CIC and underwrites the shortfall in funding of £1.600m towards the restoration of Saltdean Lido to secure the NLHF grant of £4.200m;
- If 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;
- 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;
- Noted the Saltdean Lido CIC have an outstanding loan of £0.220m and agreed to reschedule the loan repayments;
- 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.

Project Summary

- 3.11 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

- 3.12 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.
- 3.13 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.
- 3.14 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

- 3.15 SLCIC were successful in being awarded a Stage 1 grant from the NLHF 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 NLHF 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
- 3.16 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.
- 3.17 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
- 3.18 SLCIC engaged a range of professional expertise to develop the bid to the NLHF 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
 - SIKa – Restoration Building Materials

- 3.19 In July 2018 SLCIC were notified by the NLHF that their Stage 2 application had been successful for £4.200m and a conditional grant offer was made by the NLHF.

Phase 2 Works – Restoration of the main Lido building

- 3.20 The total cost for this second phase is estimated to be £7.968m (including a new library with £0.700m of funding already committed by the council) and SLCIC submitted the capital funding proposal below to the NLHF) which secured a conditional grant of £4.200m.
- 3.21 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).
- 3.22 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.
- 3.23 Saltdean Lido Restoration Project Funding (current estimates)

Funds already secured by SLCIC

Historic England	£0.199m
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Crowdfunding Appeal	£0.120m
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Numerous donations including: Garfield Weston Foundation Swire Charitable Trust, Pilgrim Trust, Michael Bishop Foundation, John Coates Charitable Trust, Rampion, Architectural Heritage Fund

£0.408m

BHCC Library funding	£0.700m
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Total	£1.427m
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Conditional funds secured by SLCIC

NLHF Grant (conditional on match funding being achieved)

£4.200m

Secured/Conditional Funding in place

Total Funding in Place	£5.627m
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<u>Estimated Project Cost</u>	£7.968m (Based on inflation and reassessment of work required)
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Estimated Project Shortfall £2.341m (not including council agreed deficit funding)

If the council agreed deficit funding of £1.6m is assumed to be required, the Estimated Project Shortfall is £741k.

Long Term Lease to SLCIC

3.24 The 63 year lease to The Lido Complex (Saltdean) Community Interest Company is now in an agreed form for completion. At the same time there will be a leaseback to the Library and a short lease to Saltdean Community Association and The White Rooms. A 63 year lease is now proposed rather than the original 60 years to allow for 2-3 years of design and build prior to operation. In 2017, Policy, Resources & Growth Committee gave approval for an Agreement for Lease which required SLCIC to meet various conditions before the lease was entered into. Those conditions were as listed below with the current position indicated in italics in brackets:

- Planning Condition (*planning permission has been achieved*).
- Listed Building Condition (*listed building consent has been achieved*).
- Leisure Services Condition (*relevant only to the outdoor pools which has been met by the appointment of a specialist leisure management operator*).
- Funding Condition (*a key reason for this report is to request for the lease to be granted to unlock further funding towards achieving a fully funded project*).
- Vacant Possession condition (*a more flexible approach is now being taken with the proposed restoration work of the main building in stages, consequently tenancies would only be terminated as required in the restoration programme*).
- Licence Condition (*this is now an obligation under the lease as it cannot be considered at this stage*).
- Building Contract Condition (*this is now an obligation under the lease as it cannot be fulfilled until the proposed design is finalised and delegated authority is being requested to give approval*).

3.25 NLHF insists on certain standard terms of grant relating to the leases of land and buildings. One condition is that the tenant must be able to sell on the lease, but they must ask NLHF for their permission to do so. However, the council have insisted on the ability to refuse consent to the sale if the proposed assignee is unable to demonstrate the experience required to operate the pool, or is a CIC working with an experienced operator. NLHF agreed to this requirement when they understood the history of the site.

- 3.26 A further standard condition is that NLHF do not accept leases with termination clauses. Therefore the council cannot terminate the lease unless there are grounds for forfeiture.
- 3.27 In mid-2019 SLCIC reassessed the project and submitted a new proposal to the NLHF based on a new costing and approach (design and build to a tendered price to achieve cost certainty), SLCIC wanted to commence the project as soon as possible as costs were continuing to increase and it was 'now or never' for their project to save the Lido. NLHF were receptive and in agreement, and have confirmed that subject to SLCIC taking on the lease, they will provide SLCIC with a 'partial' permission to start. This means NLHF will support funding of all the professional services up to the point of starting the work on site. At that point SLCIC will need to demonstrate that they have the matched funding in place, or an indication it will be achieved, to release the rest of the award.

4. ANALYSIS & CONSIDERATION OF ANY ALTERNATIVE OPTIONS

- 4.1 Not granting a lease at this stage to SLCIC would prevent the drawdown of initial funding from the 4.2m conditional grant from NLHF and in all likelihood end the restoration project by SLCIC of Saltdean Lido.

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 NHLFCase Officer for Saltdean Lido.

6. CONCLUSION

- 6.1 The granting of the lease would enable SLCIC to draw down initial funding from NHLF to pay all the professional services to complete the design and tender the project. This is required to make progress on the project, attract further external funding and give the project the potential to be achieved.
- 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. A Grade 2* listed property which is on the "at risk" register would remain with the council and no prospect of the restoration being achieved unless all of the substantial funding required could be identified.

7. FINANCIAL & OTHER IMPLICATIONS:

Financial Implications:

- 7.1 The granting of the lease will allow SLCIC to commence drawdown of the funding agreed from NLHF. The revised cost estimates for the project is £7.968m with a current funding shortfall of £2.341m, of which the council has underwritten £1.6m, leaving a fundraising target of a further £0.741m if the council funding is fully drawn down.
- 7.2 The council provided a loan of £0.220m at risk, to support the SLCIC in the stage 2 bid resubmission which was successful in gaining the £4.2m NLHF grant. This loan was originally due to commence repayment once the NLHF conditions were

met and as the timing has changed the loan repayment schedule needs to change. The impact on the council's cashflow of this change is immaterial.

- 7.3 The council's capital programme includes both the £0.700m for the replacement library, and the £1.6m funding of underwriting support for the project. These capital costs are funded from borrowing and the financing costs of the borrowing is included in the budget agreed at Budget Council in February 2020.
- 7.4 The increased costs and fundraising target represent a risk to the project however the track record of the SLCIC demonstrates they are well placed to achieve this. The business plan for the facilities post restoration supports maintaining the building and pools including building up a sinking fund to ensure continued financial sustainability. This plan would not support ongoing debt finance without putting this sustainability at risk and therefore successful fundraising is essential.

Finance Officer Consulted: James Hengeveld

Date: 25/05/20

Legal Implications:

- 7.5 The council's legal team has drafted a funding agreement and a lease which have been agreed with SLCIC (subject to approval from Policy & Resources Committee). The funding agreement deals with the grant of the funding for the library and the terms on which the Council will underwrite the £1.6m. It requires SLCIC to use best endeavours to raise the £1.6m and requires it to produce a fundraising plan and report to the council on progress against that plan.
- 7.6 Decisions to dispose of land must be taken by the Policy & Resources Committee. It previously made the decision to grant the loan so it is also appropriate that it considers whether the loan repayments can be rescheduled.
- 7.7 The council is under an obligation to obtain the best consideration reasonably available when disposing of land (S123 Local Government Act 1972). The proposal is to lease the site for a peppercorn rent. This is considered to be best consideration given the income realised by the pool operation and the condition of the buildings.

Lawyer Consulted:

Alice Rowland

Date: 28/5/20

Equalities Implications:

- 7.8 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:

- 7.9 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

Brexit Implications:

- 7.10 None identified.

Public Health Implications:

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

Covid-19 Implications

- 7.12 The long term impact of the pandemic on the construction industry is currently not known, but the council will continue to work closely with SLCIC to understand the impact as the project develops.

SUPPORTING DOCUMENTATION

Appendices:

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

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, 30th November 2017 and 14th February 2019.
3. Reports to the Economic Development & Culture Committee on 20th September 2012 and 19th September 2013

