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| Subject | Saltdean Lido - Options for Future Operation | | |
| Date of Meeting | 24 January 2013 | | |
| Report of | Interim Lead Cultural Services/ Strategic Director; Place | | |
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| Wards Affected | Rottingdean Coastal | | |

FOR GENERAL RELEASE

1. SUMMARY AND POLICY CONTEXT

- 1.1 The long-term 125 year head lease of the Saltdean Lido site was surrendered by Saltdean Lido Limited on 6th June 2012 following a period of negotiation with the council. As a consequence the maintenance responsibilities previously vested in Saltdean Lido Limited passed to the council. In addition, (a) the Saltdean Community Association (who were holding over their lease) became tenants of the council with an ongoing liability for a 55% contribution to repairs and maintenance, (b) the council's lease of the library merged into the freehold title, (c) the public house became tenants of the council and (d) since the surrender the council has granted a tenancy at will relating to the White Rooms Beauty Therapy Rooms located in the Lido complex.
- 1.2 The Saltdean Community Association have recently surrendered their existing lease which entitled them to a protected tenancy. The Association now have a short-term lease which can be terminated at short notice. This provides the council with greater flexibility for the future use of the building, but the full maintenance responsibilities for the whole of the building have now reverted to the council.
- 1.3 There are several possible long-term options for the operation of the Lido complex including running in-house, appointing an external management contractor, or granting another long-term lease. The latter two options could all be potentially undertaken by a not for profit trust, a commercial company or a local community association.
- 1.4 Soft market testing (informal structured interviews with potential operators who have experience of managing lidos or who have expressed an interest in operating the facility) has been undertaken to inform the options appraisal that forms the basis of this report. An important issue is the extent of the risk

of future operation and maintenance of the Lido complex that could be transferred to an external organisation.

2. RECOMMENDATIONS

- (1) That the Committee notes the results of the soft market testing that has been undertaken to inform options for the long-term operation of the Saltdean Lido Complex.
- (2) That the Committee approves the marketing of a 50 year full repairing lease for the Saltdean Lido Complex, including the operation of the Lido pools and the provision of additional community facilities to achieve a long-term viable operation of the facility, the outcome of which will be brought back to the Policy & Resources Committee at a future meeting.

3. RELEVANT BACKGROUND INFORMATION

- 3.1 The background information in relation to Saltdean Lido has been covered in detail in previous reports and therefore this information is not repeated in this report. The previous reports include those to the Culture, Recreation and Tourism Cabinet Member Meetings of 6th December 2011 and 6th March 2012, as well as the reports to the Special Policy & Resources Committee on 30th May 2012 which authorised the surrender transaction. An update report was also considered at the Economic Development & Culture Committee on 20th September 2012. This report highlighted the potential use of S106 Funding for the Saltdean area. The use of such funding for Saltdean Lido would be in consultation with local ward councillors.
- 3.2 As soon as the surrender of the head lease had been completed, an assessment was undertaken of the condition of the gym and pools to see if they could be opened on a temporary basis – certainly it was the desire of the council to do so if at all possible at least over the school holidays. However, on detailed examination by a number of experts the condition of the facility has proven to be far poorer than anticipated making it impossible to open over the summer season. Moreover, at present there can be no certainty that the pools will be open for the next summer season as this will depend upon the findings and resourcing of the exploratory works identified.
- 3.3 The cost of the urgent works to meet basic health and safety requirements for the pools and gym area total an estimated £130k. This expenditure was approved at the Economic Development & Culture Committee on 20th September 2012. Such works will not bring these areas up to an operational standard, but should be regarded as a first phase of required works. The urgent works, which have been identified following numerous site visits by officers in conjunction with specialist contractors and are currently on-going include:

- § Site Security Costs & Insurance Recommendations
- § Pool Tank & Pool Plant Room Investigation
- § Fire Risk Assessment and Electrical Recommendations

- § Asbestos removal
- § Water Supply & Heating System

3.4 Due to the poor condition of the pool plant (including water circulation/pumps/filters/chemical dosing) and pool tank, future investment would be required in phases, each phase being, to a certain extent, exploratory and determining the amount of work required in the next phase. The costs for the next phase of works to bring the gym and pools to a standard where they could be opened are likely to be in the region of tens of thousands of pounds.

3.5 These costs do not include the significant investment that is also required in the fabric of the Lido complex building. A Scott Schedule in July 2011 estimated the amount of repairs needed to the structure of the building to be in the region of £260,000. This Schedule is not a specialist survey of each aspect of the condition of the building, but was prepared to assist negotiations with the previous head lessee regarding repairs which were considered outstanding and featured in the surrender negotiations.

3.6 **KEY RESULTS OF SOFT MARKET TESTING**

- § Each of the possible operators recognised the potential of the Lido Complex, but recognised the challenges in maintaining a Grade II* listed building.
- § In order to achieve a sustainable long term future for the complex, it was considered necessary to use the area currently occupied by the Community Association to enhance the income generating potential of the facility. Suggestions include health & fitness provision, dance/exercise studios, and café/restaurant.
- § A lease was considered to be preferable to a management contract due to the extent of the capital investment required in the facility, with the term of the lease being a minimum of 25 years, so as to be eligible for lottery funding. A longer term would be preferred, so as to enable a return on the potential investment in the building.
- § A bid to the Heritage Lottery Fund for a grant should be made by an operator rather than the local authority. This would enable the grant application to be supplemented by the robust business plan of the operator.
- § The Lido Complex requires significant capital investment in the fabric of the building and to convert the facility into a viable concern in the long term.
- § It would be preferable to appoint an operator prior to non urgent works being undertaken. This would enable the planning of capital investment in the facility to be complementary to a long term business plan for the facility.

- § There should be a single operator responsible for the running of the site, so that sub tenancies or management arrangements would need to be put in place as appropriate for services not directly provided by the appointed lessee.

3.7 OPERATION OF OTHER LIDOS

3.7.1 There are numerous other examples of Lidos that have faced a similar scenario to that currently facing Saltdean Lido (and in effect that faced Saltdean Lido back in 1998 when the Saltdean Tavern was developed to secure a capital payment to invest in the Lido). Where Lidos have been kept open, there has been significant investment in capital expenditure either from the Heritage Lottery Fund or in revenue generating facilities. In return, operators have been granted long term leases, or the management of the Lido has been included within a wider management contract for a portfolio of council sports facilities. A few examples include:

- § Brockwell Lido, South London
- § Hillingdon Lido, North London
- § Holywell Mead Lido, High Wycombe
- § Tinside Lido, Plymouth

3.8 OPTIONS APPRAISAL

There are 3 main potential options to secure the future of the Lido:

3.8.1 In-House

The management of the sports facilities and golf courses is currently outsourced and there is not internal capacity to undertake the operation of the Lido complex. To establish such capacity would be unlikely to be cost effective. Furthermore, the long term maintenance responsibilities for the complex and all the risk of the future operation of the facility would remain with the council. Therefore, this option is not recommended.

3.8.2 Management Contract

The council has successfully appointed external management contractors (not for profit trusts Freedom Leisure and Mytime Active) to manage the council's sports facilities and golf courses respectively. However, while the operational risk is passed to the contractor, the council retains the risk in relation to structure of buildings. This would not be an attractive proposition in relation to the Lido. In addition, procurement of a management contract often benefits from a "package of facilities" to achieve economies of scale. Therefore, a stand alone tender for one facility such as Lido would be unlikely to achieve best value and is therefore not recommended.

3.8.3 Long-Term Lease

The soft market testing achieved a clear consensus that this would be the best option to achieve a sustainable long term future for the Lido complex, provided that the leaseholder was able to operate all of the Lido complex (apart from the library which is still a positive draw to the facility). With the new short lease for the Saltdean Community Association also having the potential to be terminated at short notice, there is scope for the Lido complex as a whole to be viable.

Provision of income generating areas such as health & fitness, restaurant / café, community function rooms could all potentially subsidise the operation of the Lido pools and fund maintenance requirements. Therefore, it is recommended that this option is pursued by marketing a lease for the Lido complex over a medium term (50 years) to give reasonable security for a leaseholder for the investment required in the facility.

Securing capital investment is going to be key to achieving a viable long-term business case. As this is likely to take the form of an application to the Heritage Lottery Fund which can take up to two years to process, it would be necessary to appoint a preferred leaseholder and then finalise the detailed terms of the lease when the funding position is clearer.

Therefore, it is proposed that the council embarks upon a robust marketing process which sets out the clear outcomes for the site (i.e. the operation of the Lido Complex including the pools and maintaining the building at no cost to the council).

In order for this to be achieved, it is recognised that it would not benefit the council to have a detailed specification within the marketing information, as this could restrict the ability of potential operators to propose innovative plans for the site and may give rise to legal procurement issues (see section 5.2 of this report). Basic heads of terms of the proposed lease should be included in the tender pack.

3.9 DRAFT TIMETABLE FOR MARKETING OF LEASE

3.9.1 If the recommendation is approved to market a lease for the Lido complex an indicative timescale is indicated as below. This should be viewed as the earliest a new arrangement could be achieved.

- § Mid Feb – Expressions of interest are sought from the market
- § Mid March – Deadline for submissions
- § End of March – Evaluation and initial ranking of bids
- § April – Dialogue phase with bidders and site visits as appropriate
- § End of April – Bidders invited to submit final bids based on discussions and any clarifications of outcomes during dialogue.
- § Mid/end of May – Final bids received
- § Beg of June – Evaluation/clarification and final scoring

- § Beg of Jul – Award of *preferred bidder* and final contractual negotiations commence
- § End of July – Execution of lease. [see legal implications at 5.2.3]

3.10 OPERATION OF POOLS

3.10.1 Due to the condition of the Lido pools it is extremely unlikely that it would be possible to open the pools during 2013. However, discussions would commence as soon as possible with a preferred operator to see if any temporary arrangements are feasible, to enable the pools to be opened prior to the significant capital investment required.

4. CONSULTATION

4.1 Consultation has been undertaken via the Soft Market Testing Exercise and dialogue has been on-going with local community groups and relevant officers.

5. FINANCIAL & OTHER IMPLICATIONS

5.1 Financial Implications

5.1.1 The estimated cost of the essential health and safety works and assessment of further works required as detailed in paragraph 3.3 is £130k as previously approved. This will be funded from the General Fund risk provision. Significant further investment is required to bring up to operational standard as described in paragraphs 3.4 and 3.5.

5.1.2 The financial evaluation of the bids following the marketing of Saltdean Lido on a 50 year lease and subsequent financial implications and risks will be included in a future report to Committee.

Finance Officer Consulted: Anne Silley

Date: 10/12/12

5.2 Legal Implications

5.2.1 The previous sections of this report include some of the legal implications. The surrender of the Saltdean Community Association lease has assisted with site assembly.

5.2.2 The proposed way forward is to market the Lido as a property transaction outside the EU procurement rules. This means that the council will not have restrictions placed on the appropriate negotiating timescale and methodology, but can use EU procurement style evaluation if it so wishes. It must not be too prescriptive in the required suite of documents as that may make the transaction more akin to a contract for services and a 50 year service contract is unrealistic and unheard of in the market.

5.2.3 It is possible that the timescale for converting heads of terms and details set out in the preferred offer into an appropriate lease and any other required

documentation may take longer than the indicative timetable referred to in section 3.9. In such circumstances the council may negotiate with the preferred bidder on interim arrangements pending completion of the final documentation.

Lawyer Consulted: Bob Bruce

Date: 10.12.12

5.3 Equalities Implications

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

5.4 Sustainability Implications

- 5.4.1 The focus of the report is to commence a marketing exercise to achieve a long term sustainable future for the operation of the Lido and maintenance of a Grade 2* Listed building. It will be important to ensure that the business case of a preferred operator is robust to secure the long term future of the facility.

5.5 Crime & Disorder Implications

There are no direct crime and disorder implications arising from this report, but the future provision of sport and leisure opportunities can help to reduce anti-social behaviour.

5.6 Risk & Opportunity Management Implications

- 5.6.1 The marketing exercise is intended to identify potential opportunities for the future operation of the Lido complex, with the management of future risk being incorporated within a lease if the proposed option is approved.

5.7 Corporate / Citywide Implications

Saltdean Lido is an important recreation and community resource for the city. The Lido building is also Grade 2* Listed and is therefore of architectural importance.

6. EVALUATION OF ANY ALTERNATIVE OPTION(S)

- 6.1 The evaluation of options is included in the body of the report.

7. REASONS FOR REPORT RECOMMENDATIONS

- 7.1 To request members to commence the formal process to secure the long-term future of the Saltdean Lido Complex.

SUPPORTING DOCUMENTATION

Appendices:

1. Site plan

Documents in Members' Rooms

1. None

Background Documents

1. Reports to Culture, Recreation and Tourism Cabinet Member Meetings of 6th December 2011 and 6th March 2012.
2. Report to the Special Policy & Resources Committee on 30th May 2012
3. Report to the Economic Development & Culture Committee on 20th September 2012.