

South Lakeland District Council
Cabinet
Tuesday 1st November 2022
Grange-over-Sands Lido and Promenade

Portfolio: Cllr Jonathan Brook, Leader of the Council
Report from: Simon Rowley – Director for Customer and Commercial Services
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Wards: Grange;
Forward Plan: Key Decision included in Forward Plan as published on 2 August 2022

Links to Council Plan Priorities:

- **Working across boundaries** – South Lakeland is: delivering sustainable economic growth in the north of England with exceptional quality of life; working across the Bay to secure investment and high value jobs; attracting funding and working with partners to deliver critical infrastructure; promoting unique value propositions.
- **Delivering a balanced community** – South Lakeland is: working to encourage young people to stay and encourage those who have left to return; ensuring that our towns provide the lifestyle including leisure, cultural and recreational opportunities to attract young people and ‘wealth creators’; unlocking development sites and enabling local businesses to grow; using culture and arts to support the unique offer of our towns; using our distinct environment to create opportunities for all; working with communities to reduce isolation and loneliness and providing the best possible quality of life for all ages.
- **A fairer South Lakeland** – South Lakeland is: seeking to strengthen its domestic tourism offer; commissioning services through the third sector to ensure quality services; and ensuring everyone has access to the same opportunities, life chances potential to lead safe, healthy, happy and fulfilled lives.
- **Addressing the climate emergency** – South Lakeland is: ensuring that new development is sustainable, energy efficient, flood resilient and enhances biodiversity; pursuing opportunities to develop renewable energy; enhancing the district’s green infrastructure; promoting active travel including cycling and walking.

SLDC has a long-standing vision of making ‘South Lakeland the best place to live work and explore’. Central to this is place making, whereby local community assets act as catalysts for creating public spaces that are integral to resident’s health, wellbeing and happiness, strengthening the connection between the people and the place.

[Council Plan \(southlakeland.gov.uk\)](https://southlakeland.gov.uk)

1.0 Expected Outcome and Measures of Success

1.1 Expected outcomes are as follows:

- To open up the Lido site to the general public for the first time in nearly 30 years since it closed in 1993, and secure the future of an important heritage asset without precluding the option for full pool restoration;
- Undertake essential structural repairs to the Lido site to stop further severe structural decay leading to exponential deterioration and structural failures on site and significant cost increases to future administrations;
- Undertake essential repairs to the Promenade and sea wall defences, improving connectivity from the town centre to the promenade and upgrade the promenade which is showing signs of disrepair and structural deterioration;
- To upgrade and replace the promenade playground which is currently in a state of disrepair and partially removed due to safety concerns;
- Utilise the £1m Coastal Communities Fund (CCF) secured as part of a wider £2.35m Experience Morecambe Bay programme, funded by the Department for Levelling Up, Housing and Communities as part of their Coastal Communities Fund Round 5 (final round);
- To encourage greater levels of sustainable tourism to Grange, the Furness Peninsula and wider Morecambe Bay.
- Agree the additional funding request to progress with the Grange-over-Sands Lido and Promenade capital works;
- Award a contract for the scheme following a restricted procedure procurement within the funding envelope for the scheme in the amended capital programme 2022/23.

1.2 Measures of success will include:

- Direct jobs created from the Council investment, through building contractors and future usage of the site, as well as wider indirect leisure and hospitality jobs supported;
- Number of hectares of brownfield site (Lido) repaired and refurbished for future community and recreational use;
- Upgraded coastal defences;
- Amount of floor space created for third sector and private sector usage (central pavilion within the Lido);
- Number of hectares of public realm upgraded;
- Playground upgraded for children and young families.

2.0 Recommendation

2.1 It is recommended that Cabinet:

- (a) Agree to proceed with the Scheme to repair and refurbish the Lido and Promenade in Grange-over-Sands, taking into account the amended costs and requirements, and**
 - (i) Request Council to approve and to recommend to the Westmorland and Furness Shadow Authority that additional funding of £1,793,800 for the scheme be included in the capital programme 2022/23; and**

- (ii) **Grant delegated authority to the Director of Strategy and Innovation, in consultation with the Lead Specialist for Strategy, the Section 151 Officer and the relevant portfolio holder(s), to approve the CIL contribution.**
- (b) **Grant delegated authority to the Director for Customer and Commercial Services, in consultation with the Portfolio Holder, Procurement Specialist, Asset and Commercial Manager, Finance Lead Specialist (Section 151 Officer) and Lead Specialist Legal Governance and Democracy (Monitoring Officer), to:**
 - (i) **undertake a revised procurement process for delivery of the full scheme within the revised budget at (a)(i) above, in respect of which Call-In of this decision by Overview and Scrutiny is removed for reasons of urgency;**
 - (ii) **award a contract for delivery the scheme subject to approval of the amended capital programme;**
 - (iii) **procure and deliver works as are necessary to satisfy the pre-commencement conditions to the planning permission (ref [SL/2019/0803 and SL/2019/0804]); and**
 - (iv) **to appoint such other consultants as the Director considers may be required to progress the scheme.**

3.0 Background and Proposals

3.1 Brief History of the Grange-over-Sands Lido and Promenade Sea Wall

- 3.1.1 Grange-over-Sands Outdoor Baths (hereafter Grange Lido) is the Council's most significant and unique asset, and one of only 4 remaining coastal lidos in England. Constructed in 1932, it is the earliest and complete example of a 20th Century listed seawater lido in England. The open-air pool itself remained open for 61 years before its closure in 1993 due to low usage and spiralling maintenance costs.
- 3.1.2 Grange Lido is constructed from a multitude of materials, including red brick, slate, concrete and render, which form the current buildings, pools, terracing, diving platforms and supporting structures. The distinctive attribute of Grange Lido is the main pool, which is in the cross-sectional shape of a mushroom.
- 3.1.3 In 2011, the site was listed by English Heritage (now Historic England) as Grade II, presenting a number protections and restrictions to future redevelopment.
- 3.1.4 Since its closure nearly 30 years ago, there have been several attempts at regeneration, through public, private and mixed partnership schemes, although none have progressed to date. These have mainly been hampered by the costs associated with a Grade II status building, which have dissuaded redevelopment and investment opportunities in the past.
- 3.1.5 The Promenade Sea Wall is formed in concrete and is believed to have been constructed around 1900. It is located on the shoreline of Morecambe Bay, spanning approximately 1900m. The southern end of the promenade is around 250m to the south of the Lido. The Promenade wall follows the coastline, with the Lancaster to Barrow-in-Furness railway line adjacent.

3.2 Rationale for Intervention and Delivery of the Full Scheme

- 3.2.1 Grange Lido has been subject to various structural and concrete surveys over recent years, all of which have concluded that the structural elements are rapidly deteriorating. Poor construction, low concrete cover and high concentrations of chloride ions continue to exacerbate present conditions. This deterioration will continue to be accelerated by the exposed coastal location, subsequent harsh environmental conditions and lack of proactive maintenance and significant investment.
- 3.2.2 Without *immediate intervention*, structural elements are at imminent risk of either partial or complete failure, which would be extremely harmful to a Grade II listed structure and leave the Council exposed to higher expenditure, heritage enforcement action and irreparable reputational damage. The Council is currently in a difficult position as the planning and enforcement authority as failure to meet the same standards to which we are enforcing private landowners to protect, upkeep and invest in their heritage structures and assets undermines the Council authority to do so. Additionally, there are severe health and safety risks posed to the community by these impending failures.
- 3.2.3 Past interventions to support the structural elements and future re-usage have failed and *immediate intervention* is required to both preserve and conserve existing buildings and structures. Without this immediate investment, the Lido will continue to deteriorate, resulting in the requirement for a significantly greater investment each year that action is not taken, as well as costs for renewed designs, planning and development works. Cost projections are set out in this report to give an understanding of these implications (see section 3.5).
- 3.2.4 On 23 January 2019, Cabinet approval was granted to SLDC to proceed with the preferred design options for the Lido and progress to planning and listed building consent and tenders prior to returning to Cabinet to seek approval to award the contract. Proposals for the Lido include:
- (i) backfilling and partial infill of the pools, sea tanks and subways to create a public open space; and
 - (ii) restoring/conserving the existing concrete and masonry structures for future use.
- Restoration of the structures and fabric were to include sensitive reinstatement of historic facades, features and details in accordance with conservation best practices and the current listing. Planning consent was awarded for these proposals in February 2020 **and expires in February 2023.**
- 3.2.5 The Promenade Sea Wall is constructed from unreinforced mass concrete, the wall has been found to be in poor condition in various locations with repair works required along much of its length to prolong its residual life. Existing structural reports and concrete analysis have confirmed repairs are essential in order to avoid further degradation of the existing concrete, which would eventually result in total failure and reclamation by coastal tides.
- 3.2.6 Proposals for the Promenade include: partial demolition (removal of unstable sections) to the sea defence wall, localised concrete repairs, re-form sections of the bull nosing, the application of anti-carbonation protection and a new surfacing coating to upper surface of the promenade. Planning consent was awarded for these proposals in March 2021 **and expires in March 2024.**
- 3.2.7 A successful bid was made by SLDC as lead authority to the Coastal Communities Fund (CCF) securing £1m towards Grange-over-Sands Lido and the Promenade stabilisation and refurbishment works. Consideration needs to be given to the impact of the CCF Bid as major changes to the proposals for the Prom and Lido will have an

adverse effect on project outputs for the wider £2.35m Morecambe Bay-wide CCF programme which is currently being delivered in partnership with Morecambe Bay Partnership. There is a risk that if the scheme is not progressed then funding currently secured by the authority from Government may have to be returned. This may have impacts on future Council funding bids at a time when Government funding is becoming more competitive and restrictive.

3.3 Decisions to date

3.3.1 The Cabinet meeting of March 2021 unanimously agreed to progress with the option to undertake the following works:

<ul style="list-style-type: none"> - Structural repairs to sea defence wall and connectivity scheme - Value engineered scheme to Lido to include main pavilion, diving board structure, central circulation space, infill of pool and terracing - The proposal <i>excluded</i> a central water feature. 	<p>Estimated costs £5,181,047.02</p>
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It was agreed to fund the budget shortfall to deliver against the project outputs. Discussion at the Cabinet meeting of March 2021 showed cross-party support for the project, with no dissent for the proposals. Members were keen to highlight the importance of the project to protect this unique asset and emphasised the complexity of the project.

3.3.2 Following Cabinet approval in March 2021 to proceed with the preferred scheme, and further works to progress the designs through the final RIBA design stages, an additional £265k was approved by Cabinet in April 2022 to take in to account construction cost increases related to Brexit and the Coronavirus pandemic.

3.3.3 The Cabinet meeting of April 2020 approved the Scheme as per Option 3B as described in Appendix 1 and Part II of Appendix 2 to the report presented to that meeting. Subject to the approval of the £265k additional funding and amendment to the Capital Programme 2022/23, authority was delegated to progress with procurement and to continue pre contracts work and project preparation.

3.4 Work since April 2022 Cabinet meeting

3.4.1 A significant amount of work has been carried out in the past 6 months since the last Cabinet decision through the project mobilisation works with the appointed design team, which has led to this report update and additional funding request to progress the project. As an overview of these works and resulting cost increases, these contributing factors include internal and external influences that are reported as follows.

Internal – SLDC-related considerations

3.4.2 In the past 6 months, there has been changes within the project design team as the structural engineers have been replaced for the lido scheme. While this has led to a delay in starting the scheme, it has also led to a change in methodology for some of the major structural repairs on site at the Lido, which is in part the cause of the cost increases within this report. It is important to highlight here that, in consultation with planning and conservation colleagues, these methodology changes to structural repairs are seen to be more appropriate for the site in terms of heritage sensitivity.

3.4.3 Migrating from concept design to construction detail is a considerable risk and often reveals various complexities and compliance issues within the final design stage. This risk is further exacerbated when combined with various value engineering schemes

being imposed and later reversed in order to achieve planning, building regulations compliance and target project costs.

- 3.4.4 Changes to the project design team has led to additional works being carried out on site including more intrusive on-site testing for due diligence, professional indemnity purposes and in line with the discharge of planning conditions work. This further work carried out on site including more intrusive surveys having been conducted means that the Council is now in a more informed position and severe concerns have been raised about the deteriorating of structures on site.
- 3.4.5 Further engagement with planning and conservation colleagues have seen certain elements omitted through the value engineered scheme brought back in to scope for the project due to concerns around the use of materials and proposed methodologies within a listed site, leading to costs increases.
- 3.4.6 The most recent costing exercise include the increase in the project contingency leading to an increase in the overall project costs. This is prudent given the external factors that are outside of the Council's control and that have had a significant impact on project costs to date. These external influences are set out in the following section.
- 3.4.7 In order to progress the proposed scheme, officers are seeking to streamline the design team and re-appoint the principal consultant to lead on both the promenade and lido works, offering better value for money to the Council and a more effective project management mechanism.

External – market forces

- 3.4.8 Build cost inflation has been increasing at an unprecedented rate. The unique factors of COVID-19, Brexit, the war on Ukraine, restrictions in energy supply and unprecedented cost inflation have led to a 'perfect storm' whereby the cost of both materials and labour have risen exponentially against a backdrop of a sharp increase in consumption. This cost inflation is affecting project construction costs across the UK.
- 3.4.9 These pressures have increased volatility in pricing, leading to increased stockholding, long waiting lists, tender price uncertainty, which is further exacerbated by material supply issues.
- 3.4.10 Alongside material shortages, a labour crisis is affecting supply. Job vacancies within the construction industry are highest on record, and an estimated ¼ of the EU construction workforce left the UK during 2020, while the number of insolvencies within the construction sector were around specialists and supply chain industries. As a result, the costs of labour has increased, and is driving contractual change, negotiation of new deals on ongoing projects and fluctuation provisions being written in to contracts.¹
- 3.4.11 The public sector have not been immune to these external pressures, and while these influences will continue to impact on project delivery, the public sector must continue to play an integral part of local and regional growth opportunities through their capital programmes and partnership working.

3.5 Future Cost Implications

- 3.5.1 It is fair to assume that there will be cost increases for undertaking the project in the future. Given the volatility of markets at present, and the current Local Government Reorganisation underway, officers have provided an overview of future cost implications if works were to not commence, so that Cabinet members can

¹ [The Cost of Building - 2022 Forecast UK \(avisonyoung.com\)](https://www.avisonyoung.com/resources/cost-of-building-2022-forecast-uk)

appreciate how this may impact future decision-making, budget pressures and asset liabilities.

- 3.5.2 This information is based on the indices for tender prices for public sector construction (the price at which a contractor would offer to carry out the project, or client costs) rather than building cost indices (costs incurred by the contractor such as labour and materials, or contractor costs).
- 3.5.3 These projections are correct as of the most recent datasets available in September 2022 from on the [Building Cost Information Service \(BCIS\)](#). These figures should be used with caution, as while they are used as industry-standard, they are seen to be an educated estimate and there is severe volatility in the markets at present, which could impact these in a short space of time, dependent on market factors.
- 3.5.4 Based on a tender cost received in September 2022, the current forecast cost increases (compared with September 2022 baseline) are as follows:
- September 2023: +3.61%
 - September 2024: +7.32%
 - September 2025: +10.64%
 - September 2026: +13.65%
 - June 2027 (furthest the BCIS forecast): +15.03%².
- 3.5.5 These figures are based on the most up-to-date information available at the time of writing the report, are independently produced and reviewed often.
- 3.5.6 It is important to note that, with this project, there are future unknown and substantial costs associated with the exponential deterioration on the lido site and any partial or complete collapse of structures, which become more likely the longer the site is left untouched. These unknown costs coupled with the forecast increases will significantly impact any future budget commitments and political decisions taken by future administrations.

3.6 Way Forward

- 3.6.1 Due to the rise in project costs, an overview of the full scheme (including lido, promenade and playground) is provided below to give members a full view of proposed works:

3.6.2 Delivery of the Full Scheme

- 3.6.2.1 **The Lido** - this involves executing a series of urgent and well-considered stabilisation measures to preserve the building and structural elements at greatest risk of failure, including: an upgrade of the central and focal pavilion building; creation of an accessible entrance design from the promenade; and, the insertion of a removable landscape intervention within the former pool area. As was part of a value engineered scheme, the male and female changing accommodation will be mothballed internally for refurbishment at a later stage, although will benefit from stabilisation works including the roof and terraces, security, cleaning, and external decoration.
- 3.6.2.2 Significant structural and architectural works will repair the concrete terracing around the perimeter of the pool, including strategic concrete repairs to the diving board structure, which is unstable in its current form. Following these construction activities, members of the public will have full access to the seating terraces that overlook the central pool space. Decorative finishes will be replaced with robust, marine grade products with careful selection of colour and materials to complement the heritage

² [BCIS | Building Cost Information Service Construction Data](#)

features and accentuate landscape proposals. The site will be fully secured at night via a sympathetic approach to reinstating the original red brick walls and gate running parallel with the promenade.

- 3.6.2.3 The pool area will be infilled with removable hard and soft landscape intervention for future uses by third parties. Using a mixture of soft and colourful indigenous planting, permeable hard surfaces and organic shaped seating, the landscape proposals strive to create a visitor destination at the Lido and promenade. Historic England highlighted the merits of including water features within the landscaped scheme; however, this has been omitted as part of the value engineering proposals with an ambition that it can be introduced in future site development if appropriate.
- 3.6.2.4 From an architectural perspective, greatest attention has been given to the comprehensive refurbishment of the central pavilion to create flexible and adaptable space. A contemporary open plan design provides a modern intervention within the historic fabric of the pavilion and will be an opportunity for a future partner to occupy and develop the Lido for future alternative uses.
- 3.6.2.5 A new sub-station will be located to the land adjacent to the Lido entrance, providing a suitable electrical supply and fibre/telecom connection for the scheme, and to support future development aspirations. The new supply presents various challenges, given it crosses a live railway line via an underpass and is then trenched along the promenade.
- 3.6.2.6 **The Promenade** - proposed repairs incorporate partial localised demolition (removal of unstable sections) to the sea defence wall; the application of a durable coating to the upper surface of the promenade (Triflex product or similar); and, a combination of pre-cast and in situ concrete repairs to the upper edge 'bull nose' and sea facing elevation of the sea wall. The work also includes connectivity works to link the promenade to the Town; public realm furniture; signage; improvements to railings; and, critically a **new child's playground area**. The existing playground is currently in poor condition, with partial removal of various unsafe children's play equipment. This scheme omits the free-standing interventions along the promenade which are deemed to be non-essential due to budgetary constraints. An allowance is included for updated promenade signage and artwork.

Advantages of proceeding with the proposed scheme

- 3.6.2.7 **Site security & 'duty of care'** - The completed scheme will enhance the area of Grange-over-Sands, with the redevelopment of the Lido and promenade representing historic value to the community; providing a canvas for further adaptation and growth; and, nurturing a sustainable economic and physical long term future. This in turn removes risks associated with the Lido being a derelict site and the hazards this can present, including trespassing, which exposes the Council to high risks.
- 3.6.2.8 **Securing an historical (and financial) asset** - The project includes critical repair and maintenance to current historical and financial assets of the Council and the future Authority. The deterioration of the Lido and promenade will only accelerate if left unattended and the burden of cost increase on an annual basis. Given the rising costs of inflation, it is reasonable to expect that costs will continue to increase and place the future Authority at a far greater financial burden.
- 3.6.2.9 **Community asset** - The full scheme will allow the Lido to be safely re-opened to the public as an open space accessible via a newly refurbished promenade, afforded the protection by a stabilised sea defence wall. This will enable visitors to, and communities of, Grange-over-Sands to enjoy a safe and open space, created from an

asset that is currently dilapidated and unused. Within the Lido, the pavilion will be refurbished with the male and female changing rooms benefiting from being structurally sound and waterproof, enabling opportunities for development and investment by a future partner or partners.

3.6.2.10 **Planning Permission** - The works would fall within the remit of the existing planning permissions for both schemes before expiry in February 2023 (Lido) and will enable urgent and immediate action, allowing site occupation and commencement of works, subject to discharging pre-commencement conditions within SLDC's Planning Team.

3.6.2.11 To enable the Council to take advantage of the existing planning permissions surveys and preliminary works will be required to be undertaken to satisfy the commencement conditions and express authority is requested to proceed with these matters, distinct from the main procured works, and to also be able to undertake any other urgent surveys, reports or works considered necessary as a result.

3.6.2.12 **Third Party Involvement** - This level of intervention from the Council will allow a third party to occupy the site and commence future development. The proposed scheme strongly aligns with a conservation repair approach, maintaining historic value and enabling a solid platform to explore and secure future uses.

Risks of proceeding with the proposed scheme

3.6.2.13 **Loss of Cost Control** - the full scheme in its current guise contains some architectural features/finishes that have increased costs in recent months, namely: bespoke raised planters in the pool infill; additional concrete repairs; and, the installation of a new electrical mains supply crossing a live railway line. Furthermore, a number of previously unknown defects (e.g. voids below the pool surround) have been identified during recent investigations and although a high level of risk mitigation has taken place to date, it is not unreasonable to assume that the Lido still has undiscovered defects lying within. This may lead to cost control issues; however, this will be greatly mitigated by the appointment of the RICS Quantity Surveyor, Project Manager and a realistic contingency sum within the construction contract.

Risks of not proceeding with the proposed scheme

3.6.2.14 **Third Party Stakeholders** - the full scheme naturally has high levels of engagement and interactions with number of third party stakeholders such as Network Rail, Historic England, Planning, Ecologists, Save Grange Lido and Natural England. Although various consultations have taken place to date, further resources are required to allow the project to progress prior to the expiry of planning permissions. These are time critical and need to be implemented at the *earliest opportunity*.

3.6.2.15 **Third Party Occupation and Investment** – Council investment at this magnitude not only secures the site longevity and function community use, but also has the option to bring forward third party occupation of the lido premises as well as leverage in significant external funding to build on the Council's investment. Any future operating model will be subject to further Council decision-making, and the Council's commitment to the full scheme will play an integral part in securing the future ambitions of the site.

3.6.2.16 **Current fee expenditure** – to date the scheme has benefited from a multitude of professional advice, sub-consultant specialists and reports, intrusive surveys and

the preparation of a fully designed scheme ready to move into construction phase. Such professional services have accumulated costs of circa £292k+VAT, and many aspects of these works are both time and environmentally sensitive and driven by expiry dates. Any further delays will prompt the recommissioning of these works and thus further expenditure would be required.

3.6.2.17 **Rising cost of living, building material, inflation and labour market pressures** - based on current Building Cost Information Service (BCIS – Sept 2022), forecasted indices for tender prices (rather than cost indices) are expected to increase by circa 15.03% in the next 5 years (June 2027, furthest BCIS forecast), see below for forecast. Although it should be noted that these current projections are heavily caveated and issued with stringent warnings of a volatile market, the risks are evident to the Council that any termination of the full scheme will present substantial cost increases in the future. This is true of each option presented within the report.

3.6.2.18 Proposed scheme (Option 1) project costs, cost breakdown, budget and shortfall are as follows:

Option 1 Revised Project Cost*	£6,800,000
<i>Lido</i>	£4,924,896
<i>Promenade</i>	£1,613,709
<i>Fees</i>	£200,000
<i>Price Tolerance</i>	£61,395
Allocated Project Budget	£5,006,200
Project Shortfall	£1,793,800
June 2027 BCIS forecast	£7,822,040

*inc. contingency and design fees

3.6.2.19 The above price tolerance is included to enable officers to progress with the full scheme and not have to come back to Cabinet if minor variations are needed. This is good practice and is the supported approach by the Section 151 Officer. It is prudent to include this additional budget for any further price variation until conclusion of the procurement process to bring the total project budget to £6.8m.

3.6.2.20 The above BCIS forecast figure is the best indication that can be given based on industry standards. This figure does not include costs to repair partial or complete structural failures on site that structural reports on the lido have flagged as likely to occur if repairs are not undertaken. This forecast therefore is seen to be the best case scenario, and will inevitably be much higher if work is not carried out as soon as possible.

3.6.3 Cabinet are being asked to recommend to Council that additional funding of **£1,793,800** is added to the Capital programme. Officers will take the revised Capital programme to the next full Council for approval (1st November). Cabinet are also being asked to authorise officers to proceed with pre-contract works such as discharge of planning conditions, legal instruction and contract drawing preparation to avoid any further delays with the project. This will be undertaken through appointment of the design team to complete the necessary works.

3.7 Capital Funding Overview

3.7.1 Current budget allocation for this project is as follows:

Grange Promenade		£1,091,000
<i>New Homes Bonus</i>	£375,000	
<i>Useable Capital Receipts</i>	£716,000	

Coastal Communities Fund	£1,000,000
Grange Lido	£3,050,700
VAT Shelter	£1,335,500
General Fund (major repairs reserve)	£583,200
LIPS	£109,000
New Homes Bonus	£458,000
NNDR Pool	£565,000
Grange Regeneration	£157,300
Revenue for Capital Reserve	
Project Allocation to date	£5,299,000
Current spend to date (fees and surveys)	£292,800
Remaining Project Allocation	£5,006,200

3.7.2 It is proposed that the funding shortfall presented above is met from a combination of the Cumbria NNDR Business Rates Pool and the Community Infrastructure Levy (CIL). This is based on the full scheme costings (see 3.6.2) minus the current allocated budget (see 3.6.1).

Remaining Project Allocation	£5,006,200
Revised Project Cost	£6,738,605
<i>inc. proposed price tolerance</i>	£ 61,395*
Project Shortfall	£1,793,800

**this is to address inflationary increases and procurement tolerances*

3.7.3 In consultation with the Finance Lead Specialist (Section 151 Officer), a series of options have been looked at to assess the availability of Council's budgets to meet the current project shortfall for this capital scheme, and the implications that allocating this shortfall will have on the capital programme and project delivery for the Council. The majority of uncommitted capital monies are earmarked for specific purposes, either by statute (Community Infrastructure Levy), by grant condition (Disabled Facility Grant) or by decision of this Council (e.g. Right-to-Buy receipts):

Capital Funding 2021/22 - 2025/26: Approved July 2022

	Balance April 2021 £000	Estimated Income £000	Use in capital programme £000	Projected Balance March 2026 £000
General				
Usable Capital Receipts	(2,020.3)	(1,169.0)	2,863.7	(325.6)
New homes bonus / LIPS****	(1,954.0)	(467.1)	2,421.1	0.0
Earmarked or allocated				
IT replacement reserve	(13.6)	(400.0)	380.3	(33.3)
Major Repairs Reserve	(399.4)	(410.0)	793.6	(15.8)
General Revenue contributions	0.0	(238.6)	262.7	24.1
Other Reserves	(456.6)	(1,740.0)	2,031.8	(164.8)
Cap grants and contributions (inc S106)	(4,184.2)	(11,295.7)	13,904.4	(1,575.5)
Disabled Facilities Grants	(833.8)	(3,073.0)	3,636.8	(270.0)
Community Housing Fund*	(1,821.0)	0.0	543.0	(1,278.0)

Right to Buy receipt**	(5,469.9)	(2,100.0)	7,693.5	123.6
Community Infrastructure Levy	(2,112.5)	(442.9)	75.0	(2,480.4)
Borrowing				
Funding from borrowing***.	0.0	(15,322.0)	15,322.0	0.0
Sub Total	(19,265.3)	(36,658.3)	49,927.8	(5,995.7)
Funding to be agreed	0.0	0.0	25.0	25.0
Total	(19,265.3)	(36,658.3)	49,952.8	(5,970.7)

3.7.4 The Council has set out a list of infrastructure projects or types of infrastructure which the charging authority intends will be, or may be, wholly or partly funded by CIL. These schemes in Grange are not included in the *critical* list of CIL projects which are to support the delivery of the South Lakeland Local Plan but are included in list of schemes which are *strategically important* to the delivery of the South Lakeland Local Plan. The Council currently holds **£2.480million of uncommitted CIL**.

3.7.5 There are also a number of reserves not included above – the most significant of which is the Cumbria NNDR Pool reserve. This reserve is currently projected to have an **uncommitted balance of £2.449million** by 31 March 2024:

Cumbria NNDR Pool Reserve:	£000
Balance 01/04/2023	(3,344)
Income in year from Pool	(896)
CAFS from pool	50
Economic Development Fund re-instate budgets	53
Grange Lido	582
Great Places Lakes and Dales	33
Grizedale Arts	35
Kendal Flood Relief Scheme additional works	725
Kendal Futures Manager	50
Levelling Up bid preparation	25
Market Promotion Officer	90
Additional staffing to meet additional demand	126
Temporary additional resources	23
Uncommitted balance	(2,449)

3.7.6 Use of a combination of these funding sources would leave reasonable levels of uncommitted monies, which will be transferred to the Westmorland and Furness Council on 1 April 2023 alongside all other balances, assets and liabilities of South Lakeland District Council.

3.7.7 On this basis, it is therefore proposed that a combination of NNDR pool reserve and Community Infrastructure Levy (CIL) be used to fund the project shortfall. This contribution split is proposed as follows:

Project Shortfall	£1,793,800
Proposed CIL contribution	£250,000
Proposed NNDR Pool Reserve	£1,543,800

3.7.8 The above CIL amount is used as an indicative figure only, and will be subject to the CIL application process and technical officer group recommendations as per the CIL governance framework.

- 3.7.9 It is worth raising at this point that there is potential that the Council may access new funding streams to fund this project such as the UK Shared Prosperity Fund and the Rural Prosperity Fund, subject to final funding need criteria, investment plans being signed off and internal decision-making process. This is not currently a material consideration for the funding shortfall presently, but officers will make representations and applications where appropriate, and any future funding achieved for this project will be accounted for against the NNDR rates pool allocation.

4.0 Appendices Attached to this Report

Appendix No.	Name of Appendix
1	Health and Sustainability Impact Assessment
2	Equality Impact Analysis

5.0 Consultation

- 5.1 Consultation has taken place with the portfolio holders, Cabinet members, senior leadership team, Lead Specialist for Finance and the Operational Lead for Place and Environment.
- 5.2 Grange Town Council have been consulted on the plans for the Lido and Promenade. Following Cabinet's decision, Officers will take an update to Grange Town Council to bring them up to speed with the agreed way forward.
- 5.3 Save Grange Lido (SGL) has been consulted and SLDC continues to remain open to exploring long term and sustainable offers for the site and for Grange-over-Sands. SGL are in support of the scheme and any decisions relating to the future operating model on the Lido site will be subject to the Council's decision-making process.
- 5.4 There is strong community support to ensure work is undertaken to preserve the structures within the lido site and carry out repairs to the promenade.

Removal of Call-In

- 5.5 To enable a principal contractor to be in place in relation to the deadlines imposed by the expiration of the planning permission and associated commencement conditions and also to ensure that the relevant agreements are completed in good time before the period surrounding vesting date of the new authority, it is recommended that the procurement exercise is begun immediately. To enable this to take place the Chairman of the Council is being consulted, in accordance with paragraph 16(j) of the Constitution, for the proposed decision to be treated as a matter of urgency and for the call-in process should be waived. If granted, the matter will be reported to the next available meeting of the Council, together with the reasons for urgency.

6.0 Alternative Options

- 6.1 Due to the significant rise in capital delivery costs, it is prudent to reflect on the options available to the Council at this time. This is to understand the impact of progressing with the current scheme, as well as understand how the alternative option will still have significant cost implications to the Council, both now and in to the future. A brief overview of the alternative option is presented below, and an overview of these options including project costs is presented as follows:

Option #	Capital Works Overview	Project Costs (inc. fees/design/contingency)	Cost Breakdown
Option 1 (proposed scheme)	Undertaking the full scheme to the promenade, playground and lido (see Section 3.6.2);	£6,800,000	<i>Lido: £4,924,896 Prom: £1,613,709 Fees: £200,000 Price tolerance: £61,395</i>
Option 2	Undertaking the promenade works in their entirety including playground, with only essential fabric repairs undertaken to the Lido site (see Section 6.3);	£4,350,000	<i>Lido: £2,486,143 Prom: £1,613,709 Fees: £201,000 Price tolerance: £49,148</i>

6.2 Option 1: Undertaking the proposed full scheme to the Lido, Promenade and Playground - please see Section 3.6.2 for overview of the proposed scheme

6.3 Option 2: Promenade (including playground) and Essential Fabric Repairs to the Lido only

6.3.1 This option will comprise of all works highlighted within Option 1 for the promenade including the playground; however, works will be restricted to essential fabric repairs only to the Lido, as highlighted below. Option 2 is seen to be the minimum intervention required to the promenade, lido and playground.

6.3.2 **The Lido** - the proposal for essential fabric repairs to the Lido focuses on, as a minimum: urgently undertaking all currently identified specialist concrete repairs to all buildings, sea tanks, external terracing, the diving platform and the subway roof. Waterproofing works to the sun terraces of the north and south buildings, and the diving platform would also be recommended to assist in reducing water ingress into the buildings and causing further deterioration. Additionally, critical repair works would be undertaken to the boundary wall between the pavilion and the North Building, which is currently failing, with imminent collapse likely to occur within the next couple of years. Works would also be required in relation to localised repairs and reinstatement of existing excavations and trail pits, which currently remain open and present significant risks.

6.3.3 Essential roof repairs are required to all buildings and the introduction of pest control measures to reduce infestations will be required. The south building first floor has recently partially collapsed and requires full reinstatement to prevent further degradation to the building and restrict further internal collapses.

6.3.4 This option would also involve construction of a replacement temporary timber hoarding to enclose the Lido, although this will only afford limited protection against unauthorised access and will be susceptible to coastal weather conditions.

6.3.5 Security and safe guarding will become a priority for the site with edge protection works introduced to the diving platforms, given the severe risk of falling into the base of the pool and surrounding hardstanding. CCTV would be introduced to deter unauthorised

access and a new sub-station will still be required to the land adjacent to the Lido entrance and will service security systems.

- 6.3.6 The *advantages* of proceeding with Option 2 include: reduced short-term capital costs; securing an historical, financial and community asset.
- 6.3.7 The *risks* of proceeding with Option 2 include: loss of cost control; planning permission elapsing; severe health and safety concerns including site security & 'duty of care' responsibilities; continued deterioration of structures; abortive promenade work; third party stakeholders engagement and involvement increased maintenance and insurance liability; rising cost of construction and inflation; and loss of expenditure to date (professional fees); and loss of Coastal Communities Funding with repercussions for delivery partners and resulting reputation damage for the Council.
- 6.3.8 Option 2 project costs, cost breakdown, budget and saving are as follows:

Option 2 Project Cost*	£4,350,000
<i>Lido</i>	£2,486,143
<i>Promenade</i>	£1,613,709
<i>Fees</i>	£201,000
<i>Price tolerance</i>	£49,148
Allocated Project Budget	£5,006,200
Short Term Project Saving	£656,200
June 2027 BCIS forecast	£5,003,805

**inc. contingency and design fees*

- 6.3.9 Officers are eager to emphasise that at this time, there is no 'do nothing' option due to the severe deterioration on site at the Lido, along the Promenade and on the playground area. This has therefore not been presented as it is not a realistic option worth considering - interventions are essential and must go ahead. Therefore, the minimum investment that the Council could progress with is detailed in Option 2, which is costed at £4.3million.
- 6.3.10 The difference between Option 1 and Option 2 of £2,450,000, while significant, will secure the £1m Coastal Communities Funding, as well as bring the Lido site back in to functional use, that is, make it accessible to the public for the first time in 30 years. Option 2 would still have the site hoarded off to public, and would require significant investment from the Council at a later date (with BCIS added cost increases) or a third party before they could occupy the site and open it up to the public. The Lido and Promenade works will act as a catalyst for economic and coastal regeneration of the town and South Lakeland, and the additional investment should therefore be viewed in this light.
- 6.3.11 Officers are therefore recommending Option 1, and are not recommending Option 2.

7.0 Implications

7.1 Financial, Resources and Procurement

Finance

- 7.1.1 A review of capital funding budgets and Council finances has been done in light of the additional financial request to Cabinet (followed by Full Council). The additional cost of the project being **£1,793,800** can be met from the NNDR Business Rate Pool, less the contribution agreed from the CIL reserve. Under the Council's Finance Procedure

Rules, the Cabinet is permitted to increase the capital programme by only up to £100,000. Any requests above £100,000 are required to be approved by Council. If this report is approved, the request to revise the Capital programme will be taken to November 2022 Council for approval.

- 7.1.2 It is important to consider the revenue implications for the Council relating to the Promenade and Lido. The Council's maintenance budget currently spends an average of £25,000 per annum in reactive and planned maintenance terms for the Lido. This has increased from £12,000 in recent years. This will increase significantly over the next 5 years if no investment is pursued within the Lido site, as the site deteriorates further leading to potential structural failures on site.

Capital Expenditure Permission for 2022/23

- 7.1.3 A further decision will be required of Westmorland and Furness Council (WFC) Shadow Cabinet regarding this level of expenditure to be committed to by the new unitary authority. This is will be taken to WFC for consideration under the Section 24 agenda item on the 11th November 2022 following SLDC Cabinet and Full Council decision-making processes.

Procurement

- 7.1.4 The Council carried out a procurement exercise in 2020. It has since become clear to officers that the Contract Notice advertising the opportunity was not sufficient and, together with the scope of the services now required and increments in value renders the previous tender exercise insufficient. It is therefore necessary to recommend a revised procurement exercise to be able to deliver the Scheme. The revised procurement is proposed to be undertaken via a restricted (two stage) procedure procurement for the scheme (within the funding envelope for the scheme set out above). There is an urgency to do so in order that a contractor can be appointed prior to the expiry of planning permission and so that the agreements can be completed in good time before the period surrounding vesting date.
- 7.1.5 Mindful of those timeframes, the recommendations above therefore request full delegated authority for the Director in consultation with the relevant officers and Portfolio Holders to undertake both the procurement and the award the contract. In order to expedite the procurement, it is proposed to begin the procurement exercise immediately following Cabinet approval and that call-in for this decision is waived as set out in paragraph 5 (Consultation) above.

7.2 Human Resources

- 7.2.1 There are no human resources implications to be considered as part of this Cabinet report. The scheme is to be delivered by external consultants and contractors with support from SLDC legal, finance and delivery and commercial services team.

7.3 Legal

- 7.3.1 In accordance with Rule 8 of the Council's Financial Procedure Rules, the Cabinet may transfer Capital Programme provisions from one capital scheme to another capital scheme, or may allocate available capital resources within the Capital Programme to new schemes which are urgent, necessary and generally in accordance with Council priorities, subject to a limit of £100,000 per individual allocation. Beyond these limits, approval to transfers can only be given by full Council.
- 7.3.2 Legal support will be obtained to advise on the appropriate terms and conditions of the contracts for construction works and project management of the scheme to include performance bond or parent company guarantees as appropriate and any collateral warranties.

Call-in

- 7.3.3 The Constitution states that the call-in procedure may not apply where a decision being taken by the Cabinet is urgent and any delay likely to be caused by the call-in process would, for example, seriously prejudice the Council's or the public's interests. In accordance with paragraph 16(j) of the Constitution, the Chairman of the Council is being consulted with regard to waiving the call-in period in the circumstances for the reasons outlined above in the report at paragraph 5.

Procurement Advice

- 7.3.4 The relevant scheme of delegation for contract award is set out in the Council's Contract Procedure Rules in the Constitution and provides that for contracts over £250,000, once approved by Cabinet the decision is to be implemented by Administrative Decision (CPR, 2.2.5). In this case, Cabinet is being asked to delegate authority to award of the contract, following a procurement exercise, to the Director and relevant officers because of the tight timescales for procurement and implementation of planning permission, which may be delayed if a further report on the contract award was brought back to Cabinet at a later date.
- 7.3.5 The advertisement notice issued to commence the tendering process in March 2020 is not sufficient to cover the scope and value of the works intended to be awarded. The Council will need to commence a new procurement procedure in order to comply with procurement law obligations under the Public Contracts Regulations 2015 and the restricted procedure is considered a suitable process to be able to conduct and complete a procurement exercise within the programme constraints.

Grant Funding Terms and Conditions

- 7.3.6 The alternative options described in paragraph 6 refer to the impact of proposals on the Coastal Communities Funding – this is central government funding (from the department formerly known as the Ministry of Housing Communities and Local Government) which the Council was awarded in 2019. As Members will recall grant funding awarded was approx. £2.35m, of which £1m is allocated towards Grange-over-Sands Lido and Promenade enhancements and additionalities to complement the planned Promenade works, and projected Lido works. The further £1.35m funding is being delivered by project partners Morecambe Bay Partnership and comprises of a series of projects including for example, an extension of the Morecambe Bay Cycleway to Fleetwood to connect the existing and popular Bay Cycleway with the entire Fylde Coast; staffing budget for Morecambe Bay Partnership; extension to the Bay Cycleway electric bike and tramper network and a number of smaller scale projects that will be led and delivered by Morecambe Bay Partnership. The grant funding is subject to terms and conditions and the Council has entered into a funding agreement with project partners, Morecambe Bay Partnership, for its delivery of the projects. As outlined above in paragraph 6 (Alternative Options), significant changes to the delivery of the Lido and Promenade will require consultation with DLUHC to protect the Council's position.

Section 24 Order

- 7.3.7 As a result of the Local Government Re-Organisation for Cumbria, the Council is required to comply with the direction made by the Secretary of State pursuant to section 24 of the Local Government and Public Involvement in Health Act 2007 ("the Direction"). Section 24 of the 2007 Act permits the Secretary of State to issue a Direction against all Authorities being dissolved under a Structural Change Order. Following the making of the Cumbria (Structural Changes) Order 2022 the Department

for Levelling Up, Housing and Communities (DLUHC) made such a Direction on 10th May 2022.

The Direction restricts certain transactions and requires the Council to have the consent of the Westmorland and Furness Shadow Authority (“the Shadow Authority”) to do any of the following:

- Dispose of land if the consideration for the disposal exceeds £100,000.
- Enter into a capital contract under which the consideration payable by the Council exceeds £1,000,000 or includes a term that allows the consideration payable to be varied.
- Enter into a non-capital contract under which the consideration payable by the Council exceeds £100,000 and the term of the contract extends beyond 1 April 2023 or may be extended beyond that date.

A capital contract is a contract under which consideration payable would be capital expenditure for the purpose of Chapter 1 of Part 1 of the Local Government Act 2003.

7.3.8 A disposal made in contravention of a direction under Section 24 is void. A contract entered into by an authority in contravention of a direction under Section 24 is not enforceable against a successor authority.

7.3.9 The Westmorland and Furness Shadow Cabinet meeting on 10 June 2022 approved a general consent for the purposes of the Direction (“the General Consent”) in accordance with Section 26(2) of the 2007 Act. The General Consent provides a number of options and projects which if certain transactions, schemes or projects fall within the scope of the General Consent, specific consent from the Westmorland and Furness Shadow Authority is not required. It has been established, that the Lido and Promenade project, the subject of this report, does not fall within the scope of the general consent issued by the Westmorland and Furness Shadow Authority. This means in addition to the authority of members of South Lakeland District Council to proceed with the project, specific consent will also be required from Westmorland and Furness Shadow Authority. Officers have already raised with the Interim Monitoring Officer for Westmorland and Furness Shadow Authority that specific consent will be required from the Westmorland and Furness Shadow Authority. Following members’ decision on this project the matter will be referred to the Westmorland and Furness Shadow Authority for specific consent.

7.4 Health and Sustainability Impact Assessment

7.4.1 Have you completed a Health and Sustainability Impact Assessment? **Yes** (please see Appendix 1)

7.4.2 If you have not completed an Impact Assessment, please explain your reasons: **n/a**

7.4.3 Summary of Health and Sustainability Impacts

		Positive	Neutral	Negative	Unknown
Environment and Health	Greenhouse gases emissions		X		
	Air Quality		X		
	Biodiversity	X			
	Impacts of Climate Change		X		
	Reduced or zero requirement for energy, building space, materials or travel		X		
	Active Travel	X			
Economy and Culture	Inclusive and sustainable development	X			
	Jobs and levels of pay		X		
	Healthier high streets	X			
	Culture, creativity and heritage	X			
Housing and Communities	Standard of housing		X		
	Access to housing		X		
	Crime	X			
	Social connectedness	X			

7.5 Equality and Diversity

7.5.1 Have you completed an Equality Impact Analysis? **Yes** (please see Appendix 2)

7.5.2 If you have not completed an Impact Analysis, please explain your reasons: **n/a**

7.5.3 Summary of Equality and Diversity impacts

Please indicate: P = Positive impact; 0 = Neutral; N = Negative; Enter "X"						
Age	P	X	0		N	
Disability	P	X	0		N	
Gender reassignment (transgender)	P		0	X	N	
Marriage & civil partnership	P		0	X	N	
Pregnancy & maternity	P	X	0		N	
Race/ethnicity	P		0	X	N	
Religion or belief	P		0	X	N	
Sex/gender	P		0	X	N	
Sexual orientation	P		0	X	N	

Armed forces families	P		0	X	N	
Rurality	P	X	0		N	
Socio-economic disadvantage	P	X	0		N	

7.6 Risk Management

Risk Management	Consequence	Controls required
Loss of cost control	Contract sum is exceeded during contract	Approve proposed recommendation, work closely with QS and procured contractor to ensure cost control is monitored closely and risks reported immediately
Programme of works not met and work is further delayed	Planning permission elapses, planning process has to be restarted, additional cost to the Council and significant capital programme delays leading to increase in construction costs and potential on-site structural failures to content with	Cabinet decision to proceed with necessary capital works and stay on track for delivery.
Do nothing and maintain status quo	Council will suffer reputational damage	Approved proposed recommendations
Do nothing and maintain status quo	Maintenance costs will continue to rise and the site conditions will continue to deteriorate requiring greater costs to future administrations and risking structural failures on site	Approved proposed recommendations

8.0 Contact Officers

Paul Scullion, Acting Operational Lead for Asset and Commercial Services, 01539 793561, Paul.Scullion@southlakeland.gov.uk

9.0 Background Documents Available

Name of Background document	Where it is available
13 th April 2022 Cabinet	Contract Award for Grange-over-Sands Lido.pdf (southlakeland.gov.uk)
17 th March 2021 Cabinet – CEX/143	Decision: Cabinet Minutes (southlakeland.gov.uk) Report: Grange Lido - Contract awards for construction works and project management of construction works t.pdf (southlakeland.gov.uk)
23 rd January 2019 SLDC Cabinet - CEX/72	https://democracy.southlakeland.gov.uk/ieListDocuments.aspx?CId=121&MId=4466
18 th December 2018 Full Council – C/53 and C/54	http://democracy.southlakeland.gov.uk/ieListDocuments.aspx?CId=120&MId=4457&Ver=4
19 th September 2012 Cabinet - CEX/64	http://democracy.southlakeland.gov.uk/mgAi.aspx?ID=2566
Grange Promenade Planning Consent	SL/2020/0103
Grange Lido Planning Consent	SL/2019/0803
Grange Lido Listed Building Consent	SL/2019/0804
Historic England Grade II Listing for Grange Lido	https://historicengland.org.uk/listing/the-list/list-entry/1402086

10.0 Tracking Information

Signed off by	Date sent	Date Signed off
Section 151 Officer	11/10/2022	21/10/2022
Monitoring Officer	13/10/2022	21/10/2022
CMT	18/10/2022	20/10/2022

Circulated to	Date sent
Lead Specialist	11/10/2022
Human Resources Lead Specialist	N/A
Communications Team	N/A
Leader	18/10/2022
Committee Chairman	N/A
Portfolio Holder	18/10/2022
Ward Councillor(s)	N/A
Committee	N/A
Executive (Cabinet)	18/10/2022
Council	N/A