

Agenda item: **Decision maker :** Culture, Leisure and Sport Decision**Date of meeting:** 11 October 2013**Subject:** Proposed Use of Land and Buildings at Canoe Lake**Report by:** Head of Transport and Environment**Wards affected:** Eastney + Craneswater**Key decision:** No**Full Council decision:** No

1 Purpose of report

- 1.1 To inform the Cabinet Member of the outcome of a market evaluation exercise undertaken to help determine what opportunities are to be formally advertised at the sports areas and Lumps Fort building within the Canoe Lake site.

2 Recommendations

- 2.1 That the Cabinet Member for Culture, Leisure and Sport notes the outcome of the market evaluation exercise.
- 2.2 That the Head of Transport and Environment be authorised to proceed with the procurement of the recommended future tender opportunities for the identified areas, undertaking any necessary feasibility work required.
- 2.3 That the Head of Transport and Environment, in conjunction with the s151 officer and Head of Finance and the procurement gateway process, be authorised to accept the outcome of the most appropriate tendering exercise for each identified area, that will include a robust financial appraisal of all options.

3 Background**3.1 The identified buildings and open space at Canoe Lake**

- 3.1.1 The city council agreed as part of the budget savings in February 2011 that the maintenance costs of bowling greens and pavilions would be transferred to the Bowls Clubs / Associations when the leases expired on March 2013 (with the exception of Milton Park which has a longer lease). The clubs based at Canoe Lake opted not to take on these responsibilities and this site ceased being used as a bowling green on 1 April 2013.

3.1.2 Officers have identified the grass tennis courts as a potential budget saving, should a suitable alternative operator or use be found.

3.1.3 Council officers were asked to consider suitable alternative use for the vacant land, whilst also considering the other surrounding facilities, research and strategic work that has been undertaken in recent years. The decision to look at this wider area is endorsed by the city council's Seafront Strategy 2010-26 Action Plan and Seafront Masterplan (Supplementary Planning Document (SPD)) which promote a strategic approach to change and development at the seafront.

3.1.4 The areas considered within this piece of work and shown on the site plan in Appendix 1 are:

Area A Former ladies pavilion and open space, west of bowling greens. Vacant following transfer of bowls maintenance responsibilities, with no allocated Parks revenue budget for ongoing maintenance.

Area B Former mens pavilion and two bowling greens. Vacant following transfer of bowls maintenance responsibilities, with no allocated Parks revenue budget for ongoing maintenance.

Area C Grass tennis courts and associated pavilion. These 12 courts are maintained by the city council at an annual cost of £31k and currently operated under an annual agreement with Southsea Tennis Club. Officers advise that there is adequate court provision locally, with all-weather courts available at Clarence Esplanade and Milton Park. These facilities offer year-round use and are not subject to annual variation subject to fine weather. However, it is recognised that these are the only publicly accessible grass courts within the city (available to play from April to September).

Area D Tarmac tennis courts and ball games area. Located south of the grass tennis courts and on the eastern boundary of the site, the two tennis courts offer a hard court alternative to the grass and are operated under the same agreement with Southsea Tennis Club. The ball games area uses the footprint of two former tennis courts and currently has two basketball goals that are free to use. The maintenance of the surface and fencing is funded through the allocated revenue maintenance budget.

Area E Lumps Fort building and store. These disused fortifications were constructed circa 1860's as one of the Palmerston Forts forming the line of Portsmouth's coastal defences. While it is not on the Statutory List, it is on the council's Local List of buildings and structures of architectural and historic importance. The building is currently used as a store and workshop by the city council's Seafront Services team and as a grounds maintenance equipment and material store by a grounds maintenance contractor. The adjoining building is an addition of no historic

significance and is used by the same contractor as a mess room. The buildings are maintained by the Landlord Maintenance team.

3.2 Context within the Seafront Masterplan

3.2.1 The Seafront Masterplan was adopted as a Supplementary Planning Document (SPD) on 10 April 2013 to guide future development to the seafront area of the city.

3.2.2 The sports areas at Canoe Lake were not specifically identified as key opportunities within the SPD, as the future of these areas had not been determined at the time of its development, but it does acknowledge this project with reference to *'a separate piece of work is underway to look at the future of the bowling greens and grass tennis courts at Canoe Lake. This will include exploring alternative uses that might broaden the area's appeal'*.

3.2.3 Lumps Fort and the Rose Garden were identified as key opportunities in the SPD. It was suggested that *'the existing Fort building to the north of the Garden, which is currently used for storage, could be re-used as a venue for special events / community hire and / or a cafe / tea rooms. The Garden itself could offer an intimate setting for a limited programme of acoustic performances (such as a string quartet), but the overall peaceful ambience and existing layout of the Garden should remain intact'*.

3.3 Canoe Lake Catering Strategy

3.3.1 In 2012, a report was produced by Mary Nightingale Associates, proposing a catering strategy for Canoe Lake to support the city council's desire to improve and invest in the seafront and adjacent facilities. The intention was to identify a strategy for investment in new facilities and the development and improvement of existing outlets, whilst ensuring that commercial, revenue generating opportunities are exploited and that facilities reflect the broad demographic profile of the park's users.

3.3.2 Conclusions drawn from a survey that formed part of the report were:

- no catering was available in the park until 10am despite a reasonable level of park footfall
- large numbers of park users were not using the catering facilities at all, with an estimated uptake of only 10%
- there is scope to raise this uptake to 30-40% if the offer is appropriate and meets the different user groups' needs

3.3.3 The strategy outlined a number of options that could be considered for the future development of catering in the park, ranging from minimal intervention to investment in a number of new outlets.

The research suggested that there is scope and a sufficient level of unsatisfied demand to create a number of new outlets in the park. The two bowls pavilions

have become potential sites for re-use since the strategy was undertaken and were not commented upon. The report identified that Tea Rooms in the Lumps Fort building would be a strong draw that would *'appeal to the higher spending sector, those looking for a superior level of service and comfort, a treat spend or just a cup of tea in a lovely setting'*.

3.4 Market engagement exercise

3.4.1 Meetings were held between officers representing front line services, property maintenance, communications and procurement to determine a co-ordinated approach to marketing the potential recreational and commercial opportunities that were presented by the five identified areas.

3.4.2 Officers were already aware of third party interest in some of the identified areas with a range of outline business proposals having been informally discussed or submitted. However, it was recognised that there was no clear indication from the wider market as to which assets represented the greatest opportunity and could attract a rental income to the city council or reduce operating costs.

3.4.3 Market engagement is a recognised process to undertake soft-market testing of such wider market interest, without any commitment to the city council or third party implied through a formal tender process.

3.4.4 A market engagement exercise was undertaken between 22 July and 23 August and interested parties were notified of the opportunity through:

- emails sent out via In-Tend (the council's e-procurement software) to companies already registered to a business category associated with leisure, facilities management and catering
- Prior Information Notice (PIN) published in the Official Journal of the European Union (OJEU)
- adverts and separate press release to The News
- advert with Caterer and Hotelkeeper, specialist trade journal and website
- large format banners erected on site
- city council website

Emails were also sent any party who had previously registered an interest, existing leaseholders within the Canoe Lake site, local volunteer groups and ward councillors.

3.4.5 The information available to interested parties who registered with In-Tend consisted:

- Seafront Strategy 2010-26
- Seafront Masterplan 2013
- key findings of the Canoe Lake catering strategy (Mary Nightingale Associates)
- site overview and particulars for each of the five identified areas
- pro-forma for submitting details of interest

The site particulars identified the key objectives of the exercise, to enable the city council provide a balance of:

- recreational activities and retention of open space
- enhancement of the site's catering offer
- investment into facilities which are accessible to the community
- reducing costs and / or generating an income for the city council

3.5 Summary outcome of the market engagement exercise

3.5.1 The five week market engagement exercise resulted in the following interest:

- 60 individuals / companies accessing the documentation available on In-Tend
- 39 enquiries, with advice or clarification provided
- 15 arranged meetings on site to view buildings
- 19 submissions of interest

3.5.2 A summary appraisal of the 19 submissions is shown in Appendix 2. The submission pro-forma had allowed for an indication of all aspects of a proposal to be made clear, but the level of detail received for each proposal varied greatly. This can be expected with a market engagement exercise due to the overall aim of engaging with the market for ideas rather than providing the quality and financial evaluation criteria that would accompany a formal process. There was also some hesitation from interested parties to fully detail their proposal prior to a formal process for reasons of confidentiality and concerns around ideas being circulated wider.

3.5.3 It is apparent that the wider advertising directed to a catering audience has not been reflected in the submissions received. Of the 14 proposals that included a catering provision (across the five sites), only three originated from outside of the PO postcode area. This may be due to the timing of the exercise (peak season) or as a consequence of the fact that this is not the start of a formal process. A number of catering companies did, however, access the documentation and the formal exercise may attract greater interest from this sector.

3.5.4 Meetings were held between officers to review the submissions and agree the type of provision that may best serve the Canoe Lake site and strategic aims of the Seafront Masterplan. The main considerations were:

- which areas had attracted the most catering interest and the type of catering
- limiting the number of catering opportunities available, to improve the overall site offer, but not exceed demand
- which areas better lend themselves to continued recreational / open space use and the potential for reducing operational costs
- proposals for a use of buildings / open space that had not previously been considered prior to the market engagement exercise
- using the variable detail submitted, the degree of confidence in the feasibility of proposals, in order to shape the future opportunities for each identified area

4.0 Future Opportunities at Canoe Lake

4.1 Recommendations for Identified Areas

4.1.1 Undertaking a market engagement exercise has enabled the city council to receive all submissions of interest at one time, from the wider market, so a more considered view can be made as to the future formal tender opportunities that may be offered for each area. The plan in Appendix 3 shows the recommendation for each area, with an estimate of the likely term to be offered and rental income. The defined areas are now referred to as 'Lots'.

4.1.2 The considerations behind each Lot and the proposed future procurement exercise are detailed within Sections 4.2 - 4.8 of this report.

4.2 Lot 1 - Primary Offer: Catering

4.2.1 The confidence to further explore converting Lumps Fort to high quality tea rooms has meant careful consideration of the additional catering offer that could be accommodated in the immediate area without exceeding demand and compromising existing outlets.

4.2.2 The location of the small former ladies pavilion is central to high footfall within Canoe Lake, particularly families using the play area and splash-pad. There is good opportunity to increase accessibility from this 'central hub' into the pavilion and adjacent open space and by making better use of the frontage.

4.2.3 Market engagement has determined interest in this site for a catering provision. The pavilion is in relatively good condition and will require some external investment to convert it to a catering standard and maximise its potential for internal and external use.

4.2.4 When considering potential impacts on local residents, the pavilion is no closer to properties in Eastern Parade / St Helen's Parade than the existing Canoe Lake café (or stores building currently under conversion).

4.2.5 The catering strategy identified the need to widen the type of catering across Canoe Lake and evaluation criteria will be targeted at meeting recognised gaps in the offer, with the provision of good quality, healthy food and drinks for a wide range of ages.

4.2.6 The recommended opportunity is likely to attract rental income and reduce the city council's building and grounds maintenance costs.

4.3 Lot 2 - Primary Offer: Early Years Provision

4.3.1 Two submissions made reference to the use of the former men's pavilion as a nursery / early years provision. Whilst this use was not envisaged at the start of the process, one submission had been sufficiently detailed to warrant further consideration.

- 4.3.2 The city council's Early Support Team within Education have confirmed there is an identified gap in early years childcare in the Eastney and Craneswater ward (Childcare Sufficiency Assessment 2011) and would fully support this proposal.
- 4.3.3 The former bowling greens, which are currently not accessible to the wider public, are protected as 'open space' by the Portsmouth Plan. A change of use from bowling greens to an early years provision (nursery) would be acceptable provided that there is no reduction in the amount of open space on the site.
- 4.3.4 The proposed use for childcare makes use of a vacant building to fulfil a strategic need.
- 4.3.5 It is acknowledged there are likely to be specific issues related to an early years provision that bidders will be required to identify and address as part of any detailed proposal. Parking issues will need to be carefully assessed in relation to how the dropping off and collection of children is managed, the catchment of the provision and alternative forms of travel. Any noise that may be associated with children's play will also be a consideration, but the high concentration of children at the splash-pad and play area are only a short distance away and this type of 'noise' is already a characteristic associated with the Canoe Lake area.
- 4.3.6 Market engagement has determined interest in this site for an early years provision. The pavilion is in relatively good condition and will require some external investment to convert it to the standards required by the regulatory body (Ofsted) and to convert the bowling green to suitable open space.
- 4.3.7 The recommended opportunity is likely to attract rental income and reduce the city council's building and grounds maintenance costs.

4.4 Lot 3 - Primary Offer: Recreational Activities

- 4.4.1 Market engagement has determined interest in this site for continued provision of recreational activities, with the two submissions relating to this area both proposing tennis provision.
- 4.4.2 One proposal that included Area C (App 1) also included Areas A, B and D, but it was considered this would have restricted the variety of offer at Canoe Lake and the city councils potential to maximise income generation.
- 4.4.3 No individual proposals relating to Area D were received. However, there is clear potential for this to be an extension to Lot 3 and this will be available as an option during any formal tender process, but it will not form a separate Lot.
- 4.4.4 Council officers have determined that there is adequate hard court provision locally, with all-weather courts available at Clarence Esplanade and Milton Park, and this view is endorsed by the Lawn Tennis Association (LTA). Whilst not wishing to compromise the viability of future bids to Lot 3, the retention of this area for the provision of grass sports only will be encouraged. The nearby tarmac area (Area D) can be included to serve additional hard court provision.

- 4.4.5 The pavilion will require external investment to retain use as changing rooms or for alternative use. It is recognised that the ability to provide light refreshments may be important to support any proposal to this Lot, whilst not adversely affecting the viability of the catering offer elsewhere at Canoe Lake.
- 4.4.6 The recommended opportunity may attract a low rental income, or retain provision of recreational activities at no cost to the city council (currently £31k per annum). It will also reduce the city council's building maintenance costs.
- 4.4.7 If a formal tender process does not result in a compliant offer offsetting existing city council operational costs, approval will be sought to incorporate the area with land to the south as a larger area of publicly accessible grassed open space. This may, or may not, include the tarmac ball games area to the east of the site (Area D). The cost of conversion would be met using the existing allocated Parks revenue budget, with future grounds maintenance costs IRO £5.4k per annum.

4.5 Lot 4 - Primary Offer: Open Offer

- 4.5.1 A number of submissions incorporated the southern bowling green as part of the proposal. Having considered and proposed the primary offer for Lots 1 and 2, it was considered that the inclusion of this area was not essential to their viability and this area afforded further opportunity.
- 4.5.2 The Lot will form a standalone open offer but with the following considerations:
- if connected to an offer for Lots 1, 2 or 3, the decision to award Lot 4 must not affect the viability for the proposal relating to Lots 1, 2 or 3
 - if unconnected to any offer to Lots 1, 2 or 3, the type of proposal must not conflict with the primary offer associated to Lots 1, 2 or 3 and compromise their viability. For example, an additional catering proposal will not be considered.
- 4.5.3 The recommended opportunity may attract an additional rental income, and/or other added value if related to Lots 1, 2 or 3.
- 4.5.4 If a formal tender process does not result in an acceptable offer, that approval be given to use the area for short-term concessions that increase, but not conflict, with the range of activities at Canoe Lake (ie. summer play activities), or that a further concession / lease opportunity be advertised as and when additional need is identified. Until responsibility for this area is discharged, this area would continue to be maintained by the city council at a cost IRO £2.2k per annum.

4.6 Lot 5 - Primary Offer: High Quality Tea Rooms

- 4.6.1 The Seafront Masterplan identified Lumps Fort as a key opportunity to be used as a café / tea rooms and for the entrance into the Rose Garden to be enhanced. Market engagement has determined there is strong interest in further exploring this proposal.
- 4.6.2 The building is currently used as a workshop and store by front line services and a contractor, with the adjoining store used as a mess room. There will need to be a

rationalisation of the space currently occupied by the Seafront Service to enable the proposed leased area to be made available. There is no contractual commitment to offer the contractor use of this store and the staff and equipment will need to be accommodated at other compounds within the contract area.

- 4.6.3 The submissions received identified a small external area immediately south of the building (under the pergola) as highly desirable to enable a small outdoor seating area to maximise appeal during fine weather.
- 4.6.4 It is known that the peace and tranquillity offered by the Rose Garden setting is highly valued by local residents and visitors and the proposal to convert the building to tea rooms will need to be sensitively managed to ensure this ambience is complemented by an appropriate and high quality addition.
- 4.6.5 The Lumps Fort building is not a Statutory Listed structure, but is locally listed due to its character and historic interest. Liaison with Planning and Conservation officers will be essential to ensure proposed works and materials are considered appropriate.
- 4.6.6 Any structural works and the proposal to convert use of this building will require liaison with Building Control to ensure works are carried out in accordance with Building Regulations and other relevant legislation.
- 4.6.7 Significant initial investment will be required to convert the two buildings to a catering standard of appropriate aesthetic appearance to reflect high quality tea rooms. There are two options by which to address the financial considerations of a future tender opportunity:
- that submissions demonstrate how these works will be privately funded and the financial benefits to the city council
 - that submissions demonstrate how these works will be privately funded, but differentiate the financial benefits to the city council if capital funding were made available (through a Capital Bid by officers)
- 4.6.8 Officers propose to undertake initial feasibility work to determine the estimated cost of conversion and comparison of estimated rental income dependant on funding those conversion works. If it is determined financially advantageous that the long-term returns outweigh the initial capital outlay, that a Capital Bid be submitted. The future tender opportunity will allow for submissions to make financial offer reflecting both external and city council investment.
- 4.6.9 The recommended opportunity may attract a rental income, reduce the city council's building maintenance costs and achieve other 'added value' such as publically accessible toilets in this area of Canoe Lake.

4.7 Procurement

- 4.7.1 Officers will outline the parameters of acceptability for each Lot shown within Appendix 3. Thereafter, bidders will be able to put forward their proposal for the site with the required supporting information, as detailed within the tender documentation. Bids will be evaluated on a mix of quality and financial elements.
- 4.7.2 Lots 1, 2, 3 and 4 will be procured concurrently so that Lot 4 may be awarded to the highest evaluated submission, whether that be stand-alone or linked to Lots 1, 2 or 3.
- 4.7.3 Lot 5 can be procured separately if the further feasibility work will unnecessarily delay the exercise to Lots 1-4.

4.8 Planning considerations

- 4.8.1 Planning issues specific to individual areas or highlighted within the Seafront Masterplan have been documented elsewhere in this report.
- 4.8.2 The proposals and future use of all identified areas at Canoe Lake are likely to be subject to planning permission, such as change of use or changes to the appearance of the buildings. Whilst officers will attempt to address some of these issues prior to a formal procurement exercise, it is likely that planning permission will be required by the successful bidder(s). This process is outside the control of the procurement exercise but future planning implications will be a consideration when creating the evaluation criteria and bidders will be encouraged to engage with the Local Planning Authority at an early stage to address the acceptability of any proposal.
- 4.8.3 Significant consultation has been undertaken in formulating the Seafront Strategy and Seafront Masterplan. It is not proposed to undertake separate public consultation prior to a formal tender exercise for the Lots identified within Appendix 3 (however, the outcome of the market evaluation exercise and the proposals will be presented to East Southsea Neighbourhood Forum). Since planning permission will be required for any material changes of use or development on the sites, the successful bidder(s) may be encouraged to undertake public consultation as part of any pre-planning application process prior to the submission of their planning application(s). Any application(s) will also be subject to the statutory 21 day period of public consultation during the planning application process.

5 Equality impact assessment (EIA)

- 5.1 A preliminary equality impact assessment has been undertaken.

6 Head of Legal comments

- 6.1 The comments of legal services are contained within the body of this report.

7 Head of Finance comments

- 7.1 Detailed financial appraisals of each of the options would need to be prepared and considered as part of the tender process. These will consider the long term financial implications of options presented.
- 7.2 The outcome of the market engagement exercise has indicated that there is potential to attract rental income and / or reduce the City Council's ongoing building and grounds maintenance costs at the sites.
- 7.3 With regards to the opportunity at Lumps Fort, significant investment will be required to enable the site to be utilised as high quality tea rooms. A feasibility study will need to be undertaken to determine the cost of conversion and potential rental income achievable. Funding options available for this redevelopment will be considered at this point. Funding of this feasibility study will need to be met from within the existing service budgets.

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Signed by:
Simon Moon
Head of Transport and Environment Service

Appendices:

CONFIDENTIAL: Appendix 2 and 3 not for publication - Local Government Act 1972, Schedule 12A (as amended) paragraph 3.

Appendix 1: Plan showing designated lease opportunities at Canoe Lake

Appendix 2: Summary appraisal of market engagement submissions

Appendix 3: Plan showing recommended future tender opportunities at Canoe Lake

Background list of documents: Section 100D of the Local Government Act 1972

The following documents disclose facts or matters, which have been relied upon to a material extent by the author in preparing this report:

| Title of document | Location |
|---|-----------------|
| Seafront Strategy 2010-26 | |
| Seafront Masterplan 2013 | |
| Canoe Lake Catering Strategy (Mary Nightingale Associates) | |

The recommendation(s) set out above were approved/ approved as amended/ deferred/ rejected by Cabinet Member for Culture, Leisure & Sport on the 11th October 2013