



## **COUNCIL CABINET 18 OCTOBER 2005**

Cabinet Member for Personnel, Performance  
Management and Economic Development

### **ST HELEN'S HOUSE**

#### **SUMMARY**

- 1.1 The Report gives details of the feasibility study (Feasibility 1) carried out by St Helen's House Trust, Derby (the Trust) into the viability of them acquiring, refurbishing and running St Helen's House.
- 1.2 The purpose of the Study, from the Council's viewpoint, is to allow consideration of whether to grant the Trust a further period of exclusivity to enable them to prepare a detailed business case (Feasibility 2).
- 1.3 Subject to any issues raised at the meeting, I support the following recommendation.

#### **RECOMMENDATION**

- 2.1 Not to grant the Trust a further period of exclusivity at this stage but to authorise the Director of Corporate Services to market the site for disposal.
- 2.2 To consider any bids received together with that of the Trust in due course.

#### **REASON FOR RECOMMENDATION**

- 3.1 Feasibility 1 and subsequent developments do not demonstrate sufficiently the viability of the project in that:
  - A substantial element of funding for the refurbishment seems dependent upon contributions from the Council either as a significant initial sum or on an on-going grant basis
  - The options considered in the report to be viable depend upon significant disposals to provide enabling funding. The two major proposed funding bodies, English Heritage and Heritage Lottery Fund, strongly prefer the site and its uses to remain in the public domain as opposed to part or the whole of the site being in private residential ownership. This casts doubt on the likelihood of achieving funding from the two major sources.

- 3.2 HLF has asked the city to determine its priorities for funding. This is the subject of another report on the agenda where the recommendation is not to afford priority to St Helen's House. This will mean that no significant HLF funding can be attracted in the near future.
- 3.3 During a period of further exclusivity, likely to be a minimum of 12 months:
- the Council continues to incur on-going running and maintenance costs
  - the buildings are vulnerable to vandalism and further deterioration.
- 3.4 Marketing the property for disposal will not preclude the Trust from submitting a bid for consideration.

## **ST HELEN'S HOUSE**

### **SUPPORTING INFORMATION**

- 1.1 Cabinet resolved, in March 2004, that a conservation and development brief be prepared and discussions take place with a group that were keen to see St Helen's House run by a charitable trust.
- 1.2 The Group, now a company limited by guarantee and a registered charity named St Helen's House Trust, Derby, proposed that a two-stage feasibility study be carried out. Phase 1 of this would determine the costs of repair and refurbishment of the buildings and form a preliminary view on the viability of the project to seek approval from the Council to move to a Phase 2 study which would develop a business plan including market research.
- 1.3 Feasibility 1 was received by email on 7 September, following discussions in July on an initial draft.
- 1.4 Attached at Appendix 2 is a summary of and comment on the Feasibility 1 Report prepared for the Trust by Gilmore, Hankey, Kirke Consultants, in association with Geoffrey Lane Town Planning. The purpose of Feasibility 1, from the Council's viewpoint, is to consider whether the Trust's proposals merit a further period of exclusivity to allow them to produce Feasibility 2 – a detailed business case for the renovation, use and long-term maintenance of St Helen's House.
- 1.5 The conclusion reached by the consultants is that, although disposals would be necessary, they consider a number of options to be economically viable based on 'pessimistic' operational assumptions, that is pessimistic income forecasts
- 1.6 Subsequent developments and the comments of the Directors of Corporate Services and Development and Cultural Services are given in the Report. The conclusion is that, accepting that this is a preliminary feasibility study, there are sufficient doubts over funding, particularly for the refurbishment to recommend that a further period of exclusivity is not granted and that the property is marketed for disposal. Any continued interest from the Trust can then be considered against other offers received.

## OTHER OPTIONS CONSIDERED

2. To give St Helen's House Trust Derby a further period of exclusivity to enable them to develop a detailed business plan for the acquisition, refurbishment and management of St Helen's House.

**For more information contact:** Chris Edwards 01332 255070 e-mail [chris.edwards@derby.gov.uk](mailto:chris.edwards@derby.gov.uk)  
**Background papers:** St Helen's House Stage 1 Feasibility Study  
**List of appendices:** Appendix 1 – Implications  
Appendix 2 – Summary and Comment on Feasibility Stage 1  
**Extracts from Stage 1 Feasibility Study:**  
Appendix 3 – Executive Summary  
Appendix 4 – Objectives of the Trust  
Appendix 5 – Conclusion and recommendations

<b>IMPLICATIONS</b>
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**Financial**

- 1.1 As set out in the report.
- 1.2 The costs of marketing the property would be contained within existing budgets.

**Legal**

- 2 None directly arising.

**Personnel**

- 3. None.

**Equalities impact**

- 4 None.

**Corporate objectives and priorities for change**

- 5. The proposal predominantly comes under the Council's Objectives of a diverse, attractive and healthy environment and a shared commitment to regenerating our communities and Priority of minimise increases in Council tax and increase value for money from our services.

### SUMMARY OF AND COMMENT ON FEASIBILITY 1

#### Executive Summary

- 1.1 The Executive Summary, shown at Appendix 3, states that the estimated repair costs for the whole site are £4.75 million with the cost of further conversion of around £1.3 million, based on first quarter 2005 prices. These figures do depend both on the future use of the site, and the extent of disposals for enabling development, if any.
- 1.2 For the purpose of Feasibility 1, it assumes that the Trust will act as a property holding trust, in effect as landlord leasing space to other parties who would then attract custom and manage the property. This, the consultants consider, is a conservative approach compared with the Trust acting as letting agent where it would directly manage and run the site and, it is suggested, would raise higher net income.
- 1.3 The anticipated use of the site is for entertainment and education purposes.
- 1.4 The study recognises that disposal of some areas of the site may be necessary to provide enabling capital. The options and financial analysis are given in schedule 5 of the report, discussed in summary in paragraphs 1.23 to 1.25. This includes capital costs against potential grant, public and loan funding and maintenance costs compared with assessed annual income.
- 1.5 The conclusion reached by the consultants is that, although disposals would be necessary, a number of options are economically viable based on 'pessimistic' operational assumptions, that is, pessimistic income forecasts.

#### Report details

- 1.6 Full copies of the Report have been placed in the Members' rooms.
- 1.7 The Report gives details of the history and importance of St Helen's House, the conservation philosophy, why the building is in its current condition, essential repairs, planning context, proposed uses and financial analysis
- 1.8 The Trust's aim is to restore and conserve the Grade 1 Listed St Helen's House, the other buildings and the site and grounds of their historic and architectural importance. The Trust will also try to retain the whole site under common ownership and to maximise use and access to the public. This is to be achieved by repairing and carefully adapting the buildings to accommodate education and training, hospitality and conference facilities and recreational and cultural uses which provide sufficient income to ensure the on-going long-term maintenance of the buildings. Preferred uses for St Helen's House are hospitality/ conferences and for other buildings educational/ recreational/cultural uses. The objectives of the Trust are included at Appendix 4.

- 1.9 In addition to the uses outlined in paragraph 1.8, disposing of some of the site for housing purposes, to provide enabling development to make the scheme financially sustainable is possible. This may comprise new build on the part of the site or conversion of existing buildings such as the Pearson Building, Chapel, Headmaster's House and other small buildings on the site.
- 1.10 The Director of Development and Cultural Services considers that the proposed uses of the site, as far as they are detailed, generally accord with the Development and Conservation Brief, subject to the specific comments elsewhere in this report, and particularly in relation to the options including disposals.

## **Market Analysis**

- 1.11 No local or detailed market analysis of potential uses/users has been carried out in Feasibility 1. Market assumptions, including possible rental and income streams, are based on the consultant's advisors experience of similar developments. However, the Trust considers these to be conservative estimates of likely use and income; indeed they are referred to as 'near worst case' with better performance anticipated.

## **Preliminary financial and funding assessment**

- 1.12 This section of the report summarises the results of the preliminary financial assessment carried out. It considers costs of refurbishment and adaptation, preferred re-use options and sources of funding and income for both initial capital costs and on-going running costs. The costs and values should be considered as out-line figures for broad financial assessment only.
- 1.13 Further, more detailed projections of costs, funding and income would be the subject of the Feasibility 2.

## **Refurbishment**

- 1.14 English Heritage (EH) and Heritage Lottery Fund (HLF) are seen as potentially the most important sources of funding. EH have been contacted by the Trust and have stated that '..... there seemed to me to be no policy issue. ....the project seems to fall broadly within the criteria but the only way to test this project's chances of grant was to apply to us via the registered office and to explore opportunities from the other relevant funding organisations, principally and crucially HLF.
- 1.15 EH indicated that there was a strong preference on the part of both them and HLF that the site and its uses should remain in the public domain as opposed to a part or the whole being revolved into private residential ownership or similar developments.

- 1.16 EH has suggested that pre-application discussions should be opened with HLF and its regional office. The Report suggests that these form an early part of the Phase 2 study.
- 1.17 At this stage, the Report anticipates that EH and HLF are expected to be the main sources of capital funding of at least 50% of total costs.
- 1.18 Other sources of grant funding have not yet been explored but the report states that these may include EMDA's Historic Environment Regeneration Grant funding and other programmes and the 'single pot' funding to stimulate job creation and learning and the Derby City Partnership's Objective 2 Action Plan. It also suggests that other organisations and charities, for example, the Pilgrim Trust, may be approached once the detailed scheme is finalised.
- 1.19 The study assumes that funding from these sources may bring total grant funding to around 65% of the capital costs.
- 1.20 Other sources of funding are listed as:
- public donations assumed at £350,000
  - Architectural Heritage Fund (AHF) £700,000 loan at a nominal rate of interest during the refurbishment period (with refinancing through commercial loan on completion)
  - commercial loan to cover any remaining deficit which is expected to be between £1.3 million and £2 million depending on which parts (if any) of the site are sold for enabling residential development. A further commercial loan would be needed to replace the AHF loan. These loans would be secured on the value of the completed development although this would become the first charge on property.

### **Running costs and rental income**

- 1.21 The Trust will need to secure sufficient income to service any loans, repair and maintenance costs and management costs. Other costs, such as business rates, utility bills etc are assumed to be paid by the tenant on the 'landlord letting basis'.
- 1.22 The Trust's assumptions on rental income are stated as 'prudent indicative rental valuation'. It notes that these are for current comparables for this type of use.

### **Results of Preliminary Financial Assessment**

- 1.23 These are produced in full below:

**Option 1** which retains all the buildings in Trust ownership, is not viable in either capital or revenue terms on the assumptions made in 10.1.

Capital costs are nearly £6.1 million. The only capital income is from grants



which at the 62% level assumed, together with donations, would be over £4.1 million. There is no additional income from disposals for enabling development. The loan requirement to fill this deficit is £1.93 million which is more than 100% of the estimated value of the site (based on prospective rental income capitalised at a 10% yield).

In revenue terms, annual expenditure is over £400,000 but revenue is only £190,000. This leaves annual deficit of £214,000 which is significantly more than the funding which might be raised from the Trust on an ongoing basis.

**Option 2** which retains the main buildings in Trust ownership but disposes of the Headmaster's house and the site of the wooden classrooms is viable in capital but not in revenue terms.

Capital costs are £5.5 million. The capital income from grants which at the 63% level assumed would be £3.5 million with additional income from disposals for enabling residential development of a further £0.5 million and from donations. The loan requirement to fill this deficit is significantly less at less than £1.2 million which is 70% of the estimated value of the site (based on prospective rental income capitalised at a 10% yield).

In revenue terms however, annual expenditure is £290,000 but revenue is still only £166,000. This leaves annual deficit of £125,000 which is more than the subscription funding which might be raised from the Trust on an ongoing basis.

**Option 3** which retains all the buildings in Trust ownership except the Pearson Building is viable in capital terms and marginally viable in revenue terms.

Capital costs are reduced to £4.5 million as a result of disposing of the Pearson Building. The capital income from grants which at the 66% level assumed would be over £3.0 million with additional income from disposals for enabling residential development of the Pearson Building assumed to be only £250,000 and from donations. The loan requirement to fill this deficit is reduced to £925,000 (less than half of option 1) which is only 58% of the estimated value of the site (based on prospective rental income capitalised at a 10% yield).

In revenue terms, annual expenditure is £236,000 but revenue is maintained at £158,000. This leaves annual deficit of only £78,000 which, after recurring fundraising estimated at £20,000 per annum, is within the margin of error of these preliminary estimates.

**Option 4** which disposes of the Pearson Building and the Headmaster's house, is viable in both capital and revenue terms.

Capital costs are reduced to £4 million. Capital income is from grants which at the 62% level assumed would be £2.50 million plus additional income from disposals for enabling development of £500,000 and from donations. The loan

requirement to fill this deficit is only £660,00 which is only 45% of the estimated value of the site (based on prospective rental income capitalised at a 10% yield).

In revenue terms, annual expenditure is only £170,000 and revenue is £146,000.

This leaves an annual deficit of less than £25,000 which is at a similar level to the funding which might be raised from the Trust on an ongoing basis. Only the Chapel and the wooden classrooms remain in educational use in this option however.

**Option 5** which retains only St Helen's House and the Chapel in Trust ownership, is viable in capital and revenue terms.

Capital costs are only £4 million. The capital income from grants at the 62% level assumed and from disposals for enabling development would be £2.5 million and £0.75 million respectively together with donations. The loan requirement to fill this deficit is only £410,000 which is just 31% of the estimated value of the site (based on prospective rental income capitalised at a 10% yield).

In revenue terms, annual expenditure is over £136,000 and revenue is virtually the same at £134,000. This leaves annual deficit of just £2,000 which is easily covered by annual fundraising. Only the Chapel remains in educational use in this option however.

### **Summary of option analysis**

- 1.24    Option 1 – retaining all buildings – not viable  
          Option 2 – disposing of the Headmaster's House and site of the wooden classrooms – not viable  
          Option 3 – retaining all the buildings but disposing of Pearson Building – marginally viable  
          Option 4 – disposing of the Pearson Building and Headmaster's House – viable  
          Option 5 – retaining St Helen's House and the Chapel – viable.
- 1.25    The Trust have however, emphasised their desire to keep all buildings on the site under their management and expect that if they act as letting agents, net income will be improved and may allow this course of action in terms of revenue costs, although initial capital costs must remain in doubt in some options.

### **Conclusions and Recommendations**

- 1.26    The Report's Conclusions and Recommendations are included in full at Appendix 5.

## **Subsequent Developments**

- 1.27 Trust representatives met with the Heritage Lottery Fund (HLF) on 16 September. Mr Steer, of the Trust, reported that their support depended upon Derby City Council contributing a substantial amount of money. Mr Steer thought that there may be ways around this and that the Council's current annual revenue expenditure of around £30 000 to £35 000 may be considered as that contribution if provided to the Trust as an annual grant. The financial assessments included in the Report do not include any Council funding.
- 1.28 The Trust, together with an officer from the Council's Built Environment Team, met with English Heritage (EH) on 30 September for further discussion. The reported outcome of the meeting is that English Heritage was very impressed with the work of the Trust and the amount of thought that has gone into their Feasibility Study to date and that their report of discussions with the HLF sounded encouraging. Whilst the present project costings were somewhat daunting, there did seem to be considerable scope to reduce those initial aspirations to a more realistic level that could more easily be funded. The Trust recognised the scale of the capital project and the potential funding issue and seems to be coming to the conclusion that a more phased programme of repair, possibly concentrating on St Helen's House itself, would be more achievable.

## **Summary comment by the Director of Corporate Services**

- 1.29 The main issues to consider are:

1 Affordability – initial costs:

- No firm commitment to funding has been given, nor could be expected at this stage, from the grant funding sources identified. These account for around 65% of the estimated refurbishment costs with £350,000 public donations allowed for in each case. The remaining funding comprises loans to be secured against the property by the Trust ranging from £1.93 million (Option 1) to £410,000 for Option 5. These loans are significant but are shown to be affordable based on annual income projections with deficits of £2,100 for Option 5, £24,400 for Option 4 and £78,000 for Option 3 to be funded by the Trust fund raising.
- Whilst appreciated that none of the organisations will provide firm commitment to funding at this stage, it may be considered disappointing that an initial approach has not been made to all the sources of proposed grant funding to 'test the water' as part of Feasibility 1. The subsequent discussions with EH indicate that the scope of the project needs to be reviewed to achieve a more realistic level that could be more easily funded.
- The Council may wish to impose restrictions on disposals of some of the buildings. This could include repurchase provisions, non-disposal to specified end users or possibly absolute veto on certain users or purchasers.

- Loans are significant and to be secured as a first charge on the property. The Council may wish to limit the impact of this by only accepting a loan on one particular element of the scheme. However, if such a charge is called in then the part disposal of that element by the lender would fragment the site and potentially make its continued use unviable. Using the development as security should therefore be resisted unless absolutely necessary.
- All models assume that the site is leased to the Trust at no cost.
- The Heritage Lottery fund's statement (to the Trust) that the Council would need to make a substantial contribution, paragraph 1.27, is particularly relevant. Previous experience of this type of situation suggests that EH may seek contributions from the Council to limit disposals for enabling development.
- HLF has asked the city to determine its priorities for funding. This is the subject of another report on the agenda where the recommendation is not to afford priority to St Helen's House. This will mean that no significant HLF funding can be attracted in the near future.
- The study, under the 'landlord model' results in significant disposal to provide enabling funding. EH have already indicated that they and HLF strongly prefer the site and its uses remain in the public domain as opposed to part or whole of the site being in private residential ownership. This would seem to suggest that enabling development of the nature suggested and some of the options may not be acceptable.

## 2 Affordability – running costs/income

- The income projections are stated in the report to be conservative. The view of the Chief Estates Offices is that the limited analysis of potential letting income is understandably based on various assumptions. At Feasibility 1 stage such an approach leaves several unanswered questions for further investigations in Feasibility 2. This lack of detailed market analysis should be highlighted as a major risk to the long-term viability of the project. Whilst there is significant potential income, the assumed commitment of future users at this time, when there is no financial involvement by such users, could leave a funding gap if their usage did not fully materialise in the future.
- 3 The Trust will require a minimum of six months to conduct Feasibility 2, a detailed business case, from appointment of consultants which in itself may take around three months. It is likely therefore to be 9 to 12 months from any approval to proceed before Feasibility 2 is produced.
  - 4 The Trust estimated that the cost of Feasibility 2 will be £50,000 for which they are to seek funding from the Architectural Heritage Fund and English Heritage.
  - 5 During this period, the Council continues to incur 'running costs' of around £35,000 per annum, together with any one-off repairs necessary. In addition, the buildings are vulnerable to vandalism and further deterioration.

## Summary comment by the Director of Development and Cultural Services

- 1.30 **Section 4.1:** The Trust's conservation policy is said to embrace the retention of the whole site under common ownership however this does not seem to be borne out in a number of options to be looked at in further detail in Feasibility 2.

On the paragraph relating to "repair", there is a rather categorical statement that modern materials can be used with discretion. This will be a matter for the listed building control authorities to determine in due course but in the meantime, it would not be appropriate for the Trust to assume that this will necessarily be acceptable.

**Section 7.3:** The sub-division of the internal space of the Chapel is contrary to the advice of our Consultants since it would destroy the internal spatial quality of this curtilage listed building.

**Section 10:** Whilst I appreciate the need to try and put a figure on the likely repair costs etc at this stage, I would be suspicious of placing too great a reliance on these without sight/understanding of an outline repair schedule. The Trust must be satisfied themselves that these figures are sufficiently robust and include an appropriate contingency.

The reference to EH funding sets out EH's general stance on conservation gap-funding but makes no specific commitment towards grant aid in this instance. I am aware that the Trust has arranged to meet a regional representative of EH which is clearly the first step in progressing any grant prospect. Similar discussions will need to be held with the HLF in order to confirm the likelihood of the levels of public funding suggested in the Feasibility Study, which although a very significant sum, is considered possible given the heritage value of St Helen's House.

### Options

In the absence of a specific proposal at this stage, one can only view each of the five options as a possibility in its own right and make comment re suitability etc on this basis. As a general point however, our own Consultant recommended that the old St Helen's House and The Pearson Building should be treated as a single entity since the latter is more adaptive/capable of providing the support facilities/accommodation that may be required as part of the conversion/reuse of the main house.

Option 1 - This would seem a generally good fit with the recommendations of our Consultants.

Option 2 - The disposal of the wooden classrooms and the Headmasters house is contrary to the Trust's conservation policy and the recommendations of our Consultant. The need to retain the site in single ownership was not only to allow the restoration of the old house to be cross-subsidised (as is proposed here) but also to facilitate an efficient functional operation of the entire site. Without details as to how this sub-division of the site could be effected, then I would be cautious whether this could be successfully achieved.

Option 3 - As above, subdivision of the site, in this case the Pearson Building, may be problematic and the Trust would need to demonstrate that the old St Helen's House on its own, could operate as a hospitality/conference facility in its isolated position (at the far end of the site from the point of site access and with car parking to the fore of the residential conversion) without the need for excessive alteration to provide the necessary support facilities.

Option 4 - Both the above concerns re sub-division of the site and separation of the Pearson Building from St Helen's House apply to this option.

Option 5 - As above.

## **APPENDIX 3**

### **EXECUTIVE SUMMARY**

The objectives of this report are to assess and quantify the cost of repairs necessary to the St Helens Trust site, and to form a preliminary view on the viability of the re-use of the site for conferencing, recreational, cultural and educational uses for the benefit of the people of Derby. The preliminary findings follow:

#### ***Repair, Renovation and Conversion***

The Grade I listed St Helen's House and the associated buildings on the site require urgent repair and restoration work. The estimated repair costs for works across the whole site (including preliminary costs, professional fees and contingencies) was £4.75 million at the first quarter of 2005. These costs have been established from measurement and estimates of the work involved.

On completion of this work, the buildings will be in sound condition but will require further expenditure on conversion costs for new use, i.e. specific finishes, installations, etc, to serve the intended uses of the various spaces. For example, if the Great Hall of the Pearson Building is adapted for orchestral use, then the size of the lift required would differ from that needed for just personnel transport. The conversion costs will depend upon the actual usages of the various spaces in the buildings and decisions of that nature are part of Feasibility Study 2. A broad-brush total estimate of £1.30 million has been made for these conversion costs in Feasibility Study 1.

#### ***Operating the Site***

The potential revenues depend upon the management procedures the Trust finally adopts, e.g. the Trust could act as the "Landlord", leasing spaces to other parties who would then attract custom and income or the Trust could act as the "Letting Agent" running the whole site on a hire basis. For simplicity and a conservative approach for Feasibility Study 1 the "Landlord" approach has been adopted with different rental rates for entertainment and teaching areas.

The Trust's anticipated usage reflects the history of the site, i.e. entertainment and, in the broadest sense, education.

#### ***Financial Analysis of Alternative Re-use Options***

It was appreciated very early on in Feasibility Study 1 that disposal of some areas of the site might be necessary to provide enabling capital. The analysis of the options open to the Trust, are given in Schedule 5.

The capital costs are set out against potential grant aid and public funding with the balance being raised by commercial loans.

The annual expenditure on maintenance, fees, loan interest and repayment is compared with the assessed annual income based on the Trust acting as “Landlord”.

## ***Conclusions***

The conclusion reached by following the “Landlord” route is that, although disposals would be necessary, there are a number of options which are economically viable. Furthermore, the alternative “Letting Agency” approach would raise income and this together with any capital injection not related to heritage based grants, could well allow retention of all the buildings within the Trust’s ownership. Consideration of these alternatives is more appropriate to Feasibility Study 2.

Although based on pessimistic operational assumptions, Feasibility 1 provides reassurance that a viable scheme can be implemented by the Trust. The Trust seeks a further period of exclusivity and support from Derby City Council to enable the Trust to commission the more detailed Feasibility Study 2.



### **Objects and Membership of the Trust**

The Charity comprises The St. Helen's House Trust, Derby. This is a company limited by Guarantee, VAT registered and holding charitable status.

The Charity's objects as registered with the Charity Commissioners are set out in Schedule 1. The current members of the Trust are set out in Schedule 2.

The Trust constitution is currently being designed. In overview, it is proposed that the Trust be run by voting members and Trustees who will also have voting rights. Supporters of the Trust will be split into various classes e.g. corporate, sponsors, societies/clubs/organisations, local authorities and an umbrella group for individuals called "friends". Each class will have the right to elect a number of voting Members. These Members will elect the Trustees from time to time. The Trust will invite well-known local and national figures as Patrons. Patrons, who currently comprise Sir Ralph Robins and Maxwell Craven will not have voting rights.

## **CONCLUSIONS AND RECOMMENDATIONS**

### **Principal Conclusions and Recommendation**

- St. Helen's House and the constituent buildings have major historical, industrial archaeological, landscape/townscape and architectural importance. The buildings are in very poor condition overall. The condition of the roof, rainwater gutters and high-level masonry is such that the building is at risk unless there is immediate and urgent intervention.
- Preliminary assessment of the buildings indicates the need for repairs costing in excess of £4.7 million and conversion/fit out costs of up to £1.3 million depending on the reuse option.
- Alternative new uses have been identified which are consistent with the findings of the City Council's Development and Conservation Brief. The recommended uses for the buildings are acceptable in planning and market terms and, in particular, maintain public access to a listed building. Uses such as education however produce very low rental income levels.
- Initial overview financial assessment shows the repair and conversion for some combinations of uses are viable in capital terms, assuming gap funding is available, and that the reuse would be financially sustainable in the long term.
- However, the viable reuse combinations assume the disposal of some areas of the site to provide enabling capital and reduce ongoing borrowing costs. A "Phase 2" feasibility study should investigate potential sources of non-heritage based grants and higher income generation as a result of retaining management of the site; this may enable more of the site to be retained.
- It is recommended that DCC provide further assurances through a further period of exclusivity, to enable the Trust to commission a more detailed "Phase 2" feasibility study.

### **Other Key Issues for Recommended Option**

The analysis at this preliminary level highlights a number of key determinants of the overall financial sustainability of the recommended reuses both in terms of initial capital investment and long term operating costs and revenues. These include:

- The capital cost analysis highlights that the majority of total costs is in bringing the buildings back into a good occupational standard as a result of previous neglect of maintenance. The focus of capital funding support should therefore be on sources of grant for rehabilitation of the built heritage such as gap funding grants from English Heritage – from the Historic Buildings, Monuments and Design Landscapes Grant and the Conservation Area Partnership Grant or its successor - and the Heritage Lottery Fund.

- Conversion costs, a significant part of capital costs, vary according to the uses of the various spaces in the buildings. Feasibility 2 should focus on analysing the costs of various potential uses.
- Some reuse options include important capital injection from enabling development provided through the disposal of part of the site for residential development. It is assumed that the terms of any lease to the Trust would allow this enabling development; that the Trust would not carry out any improvements to these areas of the site and buildings before disposal; and that disposal proceeds will remain with the Trust.
- The provision of £40,000 to £100,000 per annum for continued maintenance and repair of the building is expected to remain with the Trust rather than its tenants.
- The Feasibility 1 analysis assumes that the Trust would act as a property holding Trust only, letting the property assets created to other occupying tenants. Feasibility 2 should examine the potential role for the Trust as an operator of the facilities created; this may result in higher rental income levels through letting at premium rates (rather than relatively low rates associated with basic education) and by achieving higher occupation levels.