

10 December 2014

Ordinary Council

Old House

Report of: Adrian J Tidbury Estates and Valuation Surveyor

Wards Affected: Brentwood North

This report is: Public

1. Executive Summary

- 1.1 This report acknowledges the “in principle” decision of the 15th July 2014 Asset & Enterprise Committee to proceed with the redevelopment of Old House into flats and to report to Full Council in order for Members to consider the financial implications for the Capital Programme.
- 1.2 This report outlines the updated information received from the Architects, together with revised rental and sale value information for Members consideration.

2. Recommendation(s)

- 2.1 **That, based on the Business Case presented, Members proceed with damp, bat and structural surveys to support the proposal to convert Old House to residential units.**
- 2.2 **That, subject to no material changes to the financial viability arising from the survey works, to agree the appointment of consultants to undertake detailed designs in conjunction with English Heritage and the Essex County Council Historic Buildings Adviser, leading to the preparation of contract documents to maximise the number of units achievable on the site.**
- 2.3 **That following successful listed building consent and Planning approval, authority be given to the Leader of the Council, the Chair of the Asset and Enterprise Panel and (Acting) Chief Executive, to undertake a tender process and to appoint a suitable contractor to complete the refurbishment of the property and on completion, instruct letting agents to market the property.**

2.4 That, subject the approval of this project, Members endorse the borrowing requirement of £1,080,000 and that until the budget for 2015/16 is finalised, provision for the Year 1 borrowing costs will be assumed to be funded from the General Fund Working Balance.

3 Introduction and Background

- 3.1 Members are reminded that the history and background to this town centre property was set out in the report to the 15th July 2014 Asset and Enterprise Committee.
- 3.2 In the Feasibility Study provided by the previous architects, comment was made that: *“Seven apartments are possible but there this is in conflict with the requirements of Essex County Council (Conservation Department) and English Heritage” and is summed up in James Ross of Essex County Council’s letter dated 28th January 2013 ... and Sheila Stones of English Heritage letter dated 27th January 2013... and would not achieve listed building consent”.*
- 3.3 The key concerns were:
- The need for further opening up and investigation to ascertain more detail relating to the existing structure and historic fabric.
 - Further development of the design required in respect to new door openings and sub divisions
 - The removal of the single storey 20th century extension.
 - To avoid the lateral conversion into apartments but convert back to the original two town houses as originally built recreating the original internal layout.
- 3.4 The previous architects were instructed to consider transforming the property into the maximum number of units that could be achieved. However, in view of the comments made by English Heritage, they amended the proposal to meet with the expectations of English Heritage and the Essex County Council Conservation department and presented two town houses, the main house with 5 bedrooms and the second with 3 bedrooms and the instruction for multiple units forming an appendix to that report. This revised proposal was reported to the 13th March 2013 Policy Projects and Resources Board.

- 3.5 The report to the 13th March 13 Policy Projects and Resources Board recommended “*in the light of the studies undertaken, The Policy, Project and resources Board be recommended to continue with the disposal of Old House*” the studies referred to in this resolution were both the Feasibility Study undertaken by Purcell Architects and a study that addressed the future delivery of asset/property management in the borough. The report on the future deliverability of asset/property management, indicated that “*the authority has challenges in the Corporate Property Unit in relation to both capability and capacity*”.
- 3.6 Since that time (November 2012) the Council has restructured its property management with the appointment of the Strategic Asset Manager and is also investigating the use of arms length companies to manage property lettings. Therefore the circumstances underpinning the decision of the 13th March 2013 Policy, Projects and Resources Board have now changed.
- 3.7 This report now considers the financial implications of the updated proposal to convert the property into residential units in terms of funding and return on the investment.
- 3.8 Architects Traer have provided advice on a staged approach to a reconfiguration in order to meet the requirements of English Heritage. The stages proposed are as follows:
- i) Survey the site with English Heritage and the historic building assessor to establish those areas that require further investigation of an intrusive nature.
 - ii) Further discussions with English heritage to confirm the approach to be made in the buildings conversion.
 - iii) Further intrusive investigatory works with English Heritage to determine the parameters upon which any proposed conversion could take place.
 - iv) Preparation of a feasibility study maximising the potential of the property towards its conversion into flats.

The first three stages of this approach, have now been completed with the resultant level 3 Historic Building report contained in Appendix A. The report considers each historical aspect of the property and concludes that

"The significance of Old House now lies entirely with its street facade which has remained largely unchanged for over 100 years. The interior retains little historic fabric and no fixtures (other than the cellar). The rear elevation has been immutably altered or masked by works in 1973."

3.9 This report has enabled an outline design for 6 units to be fitted into the footprint of the property. This outline design was submitted to English Heritage for their comments and approval on 14th November 2014. As a result, a meeting on site with English Heritage was held on the 26th November 2014 to discuss the content of the report and establish the parameters of the proposed build.

3.10 The initial (verbal) feedback from English Heritage is that the subdivision of the building into 6 flats is agreed in principle, subject to further survey work in terms of damp and structures and further details of the proposed conversion.

4 Issue, Options and Analysis of Options

4.1 Members will be aware that as a Grade II* listed building, renovation or conversion is subject Planning and listed building consent in order to protect the historic nature of the elements forming both the structure and decoration to the building. These elements have now been defined by the level 3 Historic Building report, but will require final ratification by English Heritage.

4.2 Planning comments were summarised in the report to the 13th March 2013 Policy, Projects and Resources Committee as:

- Redundancy of community use would need to be demonstrated.
- Planning policies quoted which would need to be considered for a change of use.

These comments remain unchanged.

4.3 Members will also be aware that previous architects appointed did not consult with English Heritage until the proposals had been developed and gave little time to English Heritage to respond or become part of the project. It is recognised that English Heritage need to be a major contributor to the project in terms of advice and direction in order that the historic nature of the property where present, will be preserved.

4.4 Further architects have now been appointed to undertake outline design together with an Historic Buildings Investigator (as requested by English Heritage) to define in detail, the remaining historic nature of the building. This investigation took place on the 30th October 2014 and the findings

from the investigation has enabled Architects to prepare an outline design to be forwarded to English Heritage for consideration. The report considers in some detail both the history to the building and the changes that the building has gone through in its history and how these changes have affected the historic nature of the building to considering the building historic significance today.

- 4.5 The report provides a clear understanding of what subdivisions can be achieved, enabling the costs of conversion being obtained with some accuracy. The provision of the report has now significantly reduced the risks of unknown history being revealed during reconstruction forcing redesign in order to provide protection. It also enables those historic features that have been revealed to become part of the final project.
- 4.6 The Architects have now provided an outline design accommodating the information provided by the Level 3 Historic Building report. The outline is for the provision of 6 units in total; 2 x 1 bedroom units and 4 x 2 bedroom units.
- 4.7 Officers have consulted with Agents to ascertain the current sale and rental values of each of the proposed units that could be anticipated and these are included in Appendix B. For comparison, the previous financial appraisal from March 2013 is included at Appendix C.
- 4.8 Appendix B provides an overview of the financial viability of the proposed works. This includes current and post conversion values, together with anticipated annual income and expenditure.
- 4.9 If Members decide to proceed with the conversion, the capital investment would require funds to be borrowed. Attached at Appendix D is an indicative cash flow which shows the full financial implications of the borrowing requirement. The Appendix is split into two tables; the first allows for the principal value to be repaid over 20 years (assuming a 20 year loan), whilst the second table allows for the principal to be repaid over a 50 year period. Both methods are acceptable under accounting principles.

5 Reasons for Recommendation

- 5.1 To enable the referral of the Asset and Enterprise Committee to be considered by full Council.

6 Consultation

6.1 No public consultation has been carried in conjunction with this report.

7 References to Corporate Plan

7.1 Value for Money: policies that invest in key services to create opportunity for all, provide better value for Brentwood's taxpayers and enhance the borough's infrastructure whilst modernising and transforming Brentwood Borough Council. We will re-prioritise and focus our resources and be innovative in our approach.

7.2 Our Borough: Policies which promote our environment, support sustainable growth, and safeguard our high quality environment including heritage and countryside. We will provide responsive, accessible and forward thinking services for vulnerable residents, supporting people back into work and providing good quality housing making Brentwood our residents' Borough of Choice.

8 Implications

Financial Implications

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8.1 Costs incurred since the proposal was presented to the Asset & Enterprise Committee in July 2014 are as follows:

- | | |
|-------------------------------|--------|
| • Historic Building Surveyor | £1,700 |
| • Architects | £4,750 |
| • Contractors intrusive works | £ 950 |

These costs have been met from within existing Asset Management Budgets. Additional costs of c£50,000 would be required for the additional surveys which would inform the detailed design and costings. Provision for these costs can be capitalised and therefore will be met from the existing Asset Management Strategy capital budget.

8.2 There are two key financial considerations to this proposal; the first is to consider the annual revenue implications to the General Fund, and the second is to consider the potential capital appreciation of the asset.

8.3 Since the Council now has an underlying need to borrow to finance future capital investment, there is a requirement to make a charge to the revenue account called the minimum revenue provision (MRP). This charge is based on the value and life of the assets funded by borrowing (internal or external) and results in sufficient cash being available to repay

the loan at the end of the term. The MRP is in addition to the actual interest charges incurred to finance the debt. Appendices 2 and 4 contain the key information for consideration. If the principal amount of the loan is repaid over an extended 50 year term, the potential revenue costs are limited to the first year. This net cost is greatly extended if the loan interest and principal are repaid within a 20 year term.

- 8.4 The headline figures include a number of assumptions including; occupancy levels, rental values and management costs. In addition to this, there remains a risk regarding renovation works for a Listed Building which cannot be fully quantified at this stage.
- 8.5 In summary, provision will need to be included in the Medium Term Financial Plan for the capital investment (£1,080,000) and net cost in at least Year 1, should this project proceed. Until the budget is finalised, provision for the Year 1 costs will be assumed to be funded from the General Fund Working Balance.

Legal Implications

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- 8.6 Legal advice should be sought throughout the process to ensure that due process and transparency is achieved

9 Background Papers (include their location and identify whether any are exempt or protected by copyright)

28th February 2012 min 516, Asset, Localism and Infrastructure Panel

27th September 2012 min 212, Asset, Localism and Infrastructure Panel

21st November 2012 min 308, Asset, Localism and Infrastructure Panel

23rd January 2013 min 416, Asset Panel

13th March 2013 min 520 Policy, Projects and Resources Board

15th July 2014 min 79 Asset & Enterprise Committee

10 Appendices to this report

Appendix A - Historic Building report

Appendix B – Financial Appraisal December 2014

Appendix C – Financial Appraisal March 2013

Appendix D – Cash Flow

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