

## ST OSYTH PRIORY

### ADVICE RELATING TO THE BUSINESS STRATEGY SUBMITTED BY CITY AND COUNTRY ON BEHALF OF THE OWNERS

#### INTRODUCTION

The Section 106 agreement reached after termination of the 2016 Planning Inquiry relating to St Osyth Priory required the owners (referred to here as the Sargeant Family – TSF) to submit a Business Strategy for how the main heritage assets at the priory (“Part 3 Buildings”) would be restored over 10 years. It was to have agreement of the St Osyth Priory and Parish Trust (the Trust). Tendring District Council (TDC) had to give reason if they did not accept it and suggest alternative approaches that would be more acceptable.

City and Country (C&C), a company owned by TSF that specialises in development of historic buildings, submitted the Business Strategy<sup>1</sup> in late 2018.

TDC asked us to review it. We produced a draft report dated 6 January 2019. It was reviewed by Paul Drury of Drury McPherson Partnership, a heritage expert who has advised TDC about St Osyth for many years.

This paper aims to help TDC’s Planning Committee understand the situation and recommends an approach to be taken.

#### CONTEXT

Two main matters were under consideration at the Planning Inquiry.

The first was the amount and nature of enabling development that would be acceptable without causing unacceptable harm to the historic environment of the priory. Mr Drury gave evidence about that for TDC.

The second was the size of the conservation deficit. I gave evidence about that. I produced a detailed assessment of options for the priory and concluded there was reasonable chance that the heritage assets could be fully conserved over time with proceeds from scale of enabling development considered acceptable by Mr Drury.

This could be done through leveraging the funds from the enabling development to obtain grants from the Heritage Lottery Fund (requiring participation of a charitable trust) and other organisations, establish a functions-orientated business that could borrow money and reinvest profits, and set up a training scheme to assist with repairing structures like walls.

This conclusion implied that the conservation deficit was, in practice, lower than suggested by TSF. I explained the mechanics in my written evidence to the Inquiry.

<sup>1</sup> St Osyth Priory Business Plan Part 3, dated November 2018.

My advice was contrary to that of a surveyor from BNP Paribas, who had been jointly appointed by TDC and TSF.

Savills had been appointed by TSF to consider what might be done to develop a business at St Osyth. They also concluded that a functions-orientated business could succeed.

The Inquiry was terminated mid-point by a settlement. TSF agreed to the amount of enabling development that Mr Drury had advised was the maximum acceptable. A development strategy along the lines Savills and I recommended was agreed, the detail to be worked up.

The terms of this settlement meant there was no need to resolve the hypothetical size of the conservation deficit. It became irrelevant.

TDC agreed with TSF what works would be done from proceeds of the agreed enabling development. Much of it has now been done.

Colliers hosted four meetings from November 2017 to July 2018 to discuss the Business Strategy. Representatives of Historic England and Essex County Council attended some. TDC was represented by Catherine Bicknell, Mr Drury and I. TSF were represented by Mr Tim Sargeant and Mr Sam Bampton, a C&C project manager leading work on the scheme. I also visited St Osyth to discuss the strategy with Mr Sargeant and Mr Bampton. The meetings were, on balance, productive. They resulted in agreement of a strategy, which I summarised in a note. I made amendments after feedback from Mr Sargeant. It is attached as an appendix to this note.

The note would be adequate compliance with the S106 requirement if TSF and the Trust confirm they agree it.

TSF submitted versions of a business plan that incorporated the evolving strategy before each of the meetings. Their recent submission is the latest incarnation. Each contained an estimate of the conservation deficit for the estate based on what TSF had submitted to the Inquiry. I made clear, on behalf of TDC, at each of the meetings, that we did not accept this calculation or approach. I asked that it be removed or qualified with a statement confirming it was not agreed by TDC. Mr Sargeant asked Ms Bicknell directly at the second meeting whether my statements represented the view of TDC, and she told him it did.

C&C, on behalf of TSF and the Trust, made an application to the Heritage Lottery Fund (HLF), in line with the agreed strategy, in August 2018. It was unsuccessful. HLF announced a new strategic plan in January 2019 (including a change of name to National Lottery Heritage Fund – NLHF). It states that Tendring is one of 13 districts nationwide that will be given preferential treatment for funding<sup>2</sup>. This is a big opportunity for St Osyth.

<sup>2</sup> Because of a combination of high socio-economic deprivation and low HLF investment to date.

## THE SUBMITTED BUSINESS STRATEGY

The document is not in a conventional form for a business plan and is difficult to read and understand. There is no evidence the Trust has been engaged in preparing it.

It reflects, at heart, the agreed business strategy, and that aspect is acceptable, albeit not ideal. I believe greater progress could be made if there was a more concerted effort to get the business established and operational.

The strategy is overlaid by another assertion of TSF's estimate of the conservation deficit for the whole estate. It says the conservation deficit for works not covered by agreed enabling development is c.£27 million, assuming c.£5 million of grants are obtained (c.£32 million if not) and this must be covered by enabling development.

The enabling development would have to be in other locations in the district because it has been established that no further enabling development is possible at St Osyth Priory.

One location, Foote's Farm, is identified.

Over 500 new houses<sup>3</sup> would be needed on land currently considered inappropriate for housing development to cover £27 million.

That estimate assumes a normal approach to calculating the contribution from enabling development, based on the value added to the site by the grant of planning permission for housing development<sup>4</sup>. TSF seem to be suggesting, however, that the proposed contribution substitutes for the cost of providing the 30% affordable element required, in TDC policy, for housing developments. That could as much as double the number of houses needed.

Proceeds of enabling development are analogous to public funding<sup>5</sup>. These proposals would represent exceptionally poor value for public money. To illustrate, 10 guest suites created in Darcy House would, according to the plan, require public subsidy of c.£670,000 each.

The scale of the problem seems, as has always been the case, to be overstated.

The enabling development so far agreed has covered more than 40% of work needed to restore the priority buildings. About 75% will have been dealt with if £5 million of grant funding can be obtained. About two thirds of all heritage assets at the priory will have been cared for if the grants can be obtained.

That leaves a challenge to find a solution to the remaining structures, but it is manageable and there are options as to what could be done.

<sup>3</sup> An approximate estimate made by ourselves based on figures quoted in the Business Plan for contributions that might be expected from houses in different locations in the district.

<sup>4</sup> Paragraph 1.1.1 of Historic England Guidance on Enabling Development.

<sup>5</sup> Paragraph 3.5.1 of Historic England Guidance on Enabling Development.

A hypothetical estimate of the conservation deficit for the whole estate has only one use now, which is to justify random off-site enabling development.

TSF's business plan uses it as a "pot" to dip into to get permission for development on sites in the district not zoned for housing.

Such an approach could not comply with NPPF and Historic England guidance on enabling development.

That emphasises that enabling development is a solution of last resort and must be justified through rigorous procedures, both in understanding the benefits to the heritage asset concerned and sacrifices the enabling development represents.

It can only be considered on a case by case basis, therefore, both in terms of the heritage asset(s) to be restored and the site to be used to generate funds.

## SUMMARY

There does not appear to be an issue, in practice, with the actual business strategy. It was agreed last year.

The main immediate requirement is to be sure that the golden opportunity presented by the new NLHF strategy is not wasted. This requires a professional approach, with full and open partnership between TDC, TSF and the Trust, because applications are highly competitive, even with preferential treatment.

The problem is with the hypothetical conservation deficit that TSF continue to quote as justification for further enabling development.

The only reason for its existence is to justify random enabling development around the district. Accepting the submitted Business Plan would imply acceptance of that approach. That would be contrary to planning rules and prejudice the interests of communities affected.

Further enabling development to benefit buildings at St Osyth may be warranted, but it should be justified on a case by case basis for both heritage asset(s) concerned and site of proposed enabling development.

There is nothing to be gained from further argument about what the hypothetical conservation deficit for the whole estate is. It is no longer of practical use.

## RECOMMENDED REASONS REFUSING THE SUBMITTED BUSINESS STRATEGY

1. The Business Plan contains neither realistic nor viable proposals to secure the restoration of the Part 3 Buildings (specified in the Section 106 agreement) within the relevant 10 year period and therefore has not shown that it can deliver on its essential aim under the Agreement.

2. This is because it is reliant upon enabling development proposals of unidentified scale and location justified by reference to a claimed Conservation Deficit of a minimum of £26M which is only partly related to the restoration of the Part 3 Buildings. Further, the scale of enabling development and / or public subsidy inherent in this approach appears out of proportion to the public benefits secured and would be unlikely ever to be sanctioned. It is therefore an approach which is neither realistic nor viable in practice.
3. As has been consistently maintained by the Council in meetings throughout 2018, the approach of this submitted Business Plan should be discarded in favour of a pragmatic, bespoke Business Plan which excises all references to estate-wide Conservation Deficits and focuses on grants, loans or enabling development directed at addressing the needs of the individual Part 3 Buildings or groups of those buildings on a case by case basis.

An approach which reflects the agreed strategy at Appendix 1 and the content of this refusal provides the way forward for the Business Strategy.

Further proposals for enabling development for restoration of Part 3 Buildings in line with the Business Strategy must contain detail of the specific heritage asset(s) that would benefit and the proposed development site. This must include a viability appraisal for the heritage asset(s) concerned that has:

- An up to date condition survey for the heritage asset(s).
- An assessment of options for the Part 3 Buildings, in the context of the agreed strategy for the estate (appended to the Colliers Report at Appx.1), including options for spatial layout. Options should include a minimum cost option to make the asset(s) safe over the medium term. The assessment of options should involve, as a minimum, a business planner, conservation architect and quantity surveyor.
- Drawings for the preferred option.
- Costs of the options, verified by the quantity surveyor, and including professional fees, project management and enabling / infrastructure works.
- An estimate of income that will be generated, both from the asset itself and from other incremental income to the site resulting from it.
- An estimate of the true conservation deficit in respect of the relevant Part 3 Building(s), if the heritage asset(s) has income generating potential. This should not include a current market value because assets that have a conservation deficit should not have market value. Any development profit should reflect genuine financial risk taken in restoring the heritage assets concerned. Financial risk is related to the amount of equity contributed and/or security provided for loans.

D Geddes – 22/02/19



# APPENDIX

# 1 VISION FOR ST OSYTH

## ST OSYTH DEVELOPMENT STRATEGY

*This is a record of agreement reached in a series of meetings held between late 2017 and June 2018 about the strategy for restoring to sustainable use the heritage assets forming St Osyth Priory. The meetings were attended by the owners, the Sargeant family (represented by Tim Sargeant and Sam Bampton), Tendring District Council (represented by Catherine Bicknell, Head of Planning, and their advisors, David Geddes of Colliers and Paul Drury, of Drury McPherson Partnership), Essex County Council (represented by Tim Murphy, Historic Environment Manager), Historic England (represented by Andrew Martingdale).*

## STRATEGY

The strategy is to use the proceeds from agreed enabling development, any grants that can be secured, especially from the Heritage Lottery Fund, and commercial funding to restore the heritage assets in a manner that makes the priory into a successful business operation.

The property is owned freehold by the Sargeant Family (the Family). There is an agreement that they will grant a 90-year lease to a charitable trust, St Osyth Priory & Parish Trust (the Trust) on the commercial use properties that the Trust are able to secure grant funding to restore in full. The Family or their nominated operating company will take a lease on the properties restored with assistance from the Trust at a market rent.

Surpluses that are generated from the Trust, plus any further grants, commercial funding and proceeds from enabling development will be used to continue restoration work until all the heritage assets are secured for the long term.

Grants and revenue generated from the Trust operations will also be used to create training schemes and fund continuing restoration work.

The whole estate will be managed as a single holistic entity to ensure the group value of the heritage assets is sustained and where possible enhanced. The Family via their freehold ownership or leasehold interests over the Trust properties will manage the estate as a business, which will seek, so far as is compatible with sustaining its heritage values, to maximise profits, in order to increase the property values. This will, in turn, reduce the conservation deficit and increase the potential for viable commercial loans that will assist with the restoration of further properties.

It is the ambition to restore the heritage assets of the precinct within 10 years.

The first major grant application will be to Heritage Lottery Fund's Heritage Enterprise Fund.

There will be two main components of the business based on this strategy.

The first will be functions and accommodation-orientated, akin to a hotel. The core of this will be weddings and other functions held in Darcy House West (including Abbots Lodging) and the Tithe Barn, plus letting accommodation provided in other buildings.

The second will be visitor-attraction orientated. This will be a combination of heritage attraction and country park, with an attractive retail and food and beverage component.

Darcy House West and the Tithe Barn plus enough space around them to provide privacy, will be closed to visitors while events are taking place and for a reasonable set-up period but will normally otherwise be open to visitors. Most of the priority precinct will be accessible to the public, with some restrictions to provide privacy for people staying in the buildings or to cater for exclusive functions where financially desirable.

Circular walks around the Park will be part of the visitor offering. These will be open in combination with the café, gift shop and farm shop but will be closed to the public outside of operating hours to ensure security and allow appropriate management.

#### SITE LAYOUT

It was agreed that to deliver the vision set out above, maximising public access, that the optimal site layout appears to be:

- A new build café and entrance building of appropriate architectural standard, alongside a children's play area, to the west of the cart shed, possibly containing a kitchen capable of preparing food for functions. Outdoor seating on either side (south side overlooking garden in front of the building, and north side overlooking play area). Retention of the Atcost barn, preferably with cosmetic improvement to the exterior, for indoor play. Base for cycle hire and other activities on the estate. Starting point for walk through the park.
- Cart Shed used for food-orientated shop.
- Ground floor of Dairy used for gifts-orientated shop; upper floor for offices.
- Tithe Barn used for events and pop-up commercial activity in summer holidays, school groups during term time. A service kitchen, of a size to be dictated by whether the wedding operator will cook on site and/ or whether one is provided within the new build café. The removal of the café, as currently consented, from the Tithe Barn will allow the amount of space for events to be maximised, enabling larger wedding parties.
- Abbots Lodging used for functions space, with capability to do both wedding ceremonies and wedding breakfasts, plus other types of event.



- Darcy House West Wing (once accommodation for the Family in the Park is complete) to be bar, boardroom style meeting room and lounge / tea room on the ground floor; 3 luxury rooms for let on first floor.
- Abbots' Tower and the Chapel to be a visitor attraction, with the tower containing an exhibition on the story of St Osyth. The Chapel will be available for smaller wedding ceremonies and the St Osyth Day service.
- Gatehouse, Bailiff's Cottage (once the Family accommodation in the Park is complete) and Slip Cottages (in short to medium term) to be used for visitor accommodation.
- The Slip Cottages may be retained as visitor accommodation in the longer term if there is demand (there are few wedding venues in Essex with 50+guest suites) Darcy House East and South to be used once funding has been secured.
- Parking for visitor accommodation and functions off Colchester Road. Area between Darcy House South and Chapel ideally landscaped, allowing greater access to pedestrians around the Precinct area.
- Spa in the Walled Garden or vaulted rooms in Darcy South (subject to inspection of archaeology).
- A loop walk through the park accessed via the existing personal gate in the western boundary wall, ending in the wilderness garden and then out to the Bury.

The layout is shown on an attached plan.

It is recognised that there may need to be a time curfew on weddings while properties in the Precinct remain in residential use.

#### **DEVELOPMENT PARTNERSHIP (Subject to HLF endorsement)**

It is understood that the development of elements that involve grant funding will be managed by a partnership between the Trust and City & Country, the development company owned by the Family.

City & Country will be paid a development management fee that will be transparent and reasonable in relation to what would normally apply in the market. It will include a bonus element that relates to the success and delivery performance of the Trust's grant application and subsequent delivery of the restoration work on behalf of the Trust.

City & Country's work will include the development management, managing the elements of constructing and delivering projects, including funding, selecting professionals and contractors, and overseeing the works.

## OPERATION / ONGOING DEVELOPMENT

The business will be managed by an operating company set up by the Family (to create a separate commercial entity). The operating company will manage the site on behalf of the Family, in collaboration with the Trust. The section 106 agreement has an agreed mechanism by which trustees can influence operations.

The operating company will either manage all elements of the business itself or contract elements of the operation to one or more specialist commercial operating companies (either through an operating agreement, or the operator taking a lease). It is the intention to contract the management of weddings and other functions to a specialist operator.

The operating company will pay a rent to the Family for space it uses. This will be reasonable in relation to market values and expected to be in the range £8-12 per square foot.

A proportion of any profits made by the operating company over a certain level (i.e. super profits) will be channelled to the Trust to facilitate their work, on the understanding that all parties will work together to find a solution that delivers restoration of the heritage assets over 10 years. The formula for this will be agreed by SOPPT and the Trust at an early stage.

The Trust will have a 90-year lease for parts of the site for which they have obtained grant funding. This is envisaged as initially being the Tithe Barn (plus Dairy and Cart Shed) plus new build café and play area, which will be the subject of the Heritage Enterprise application.

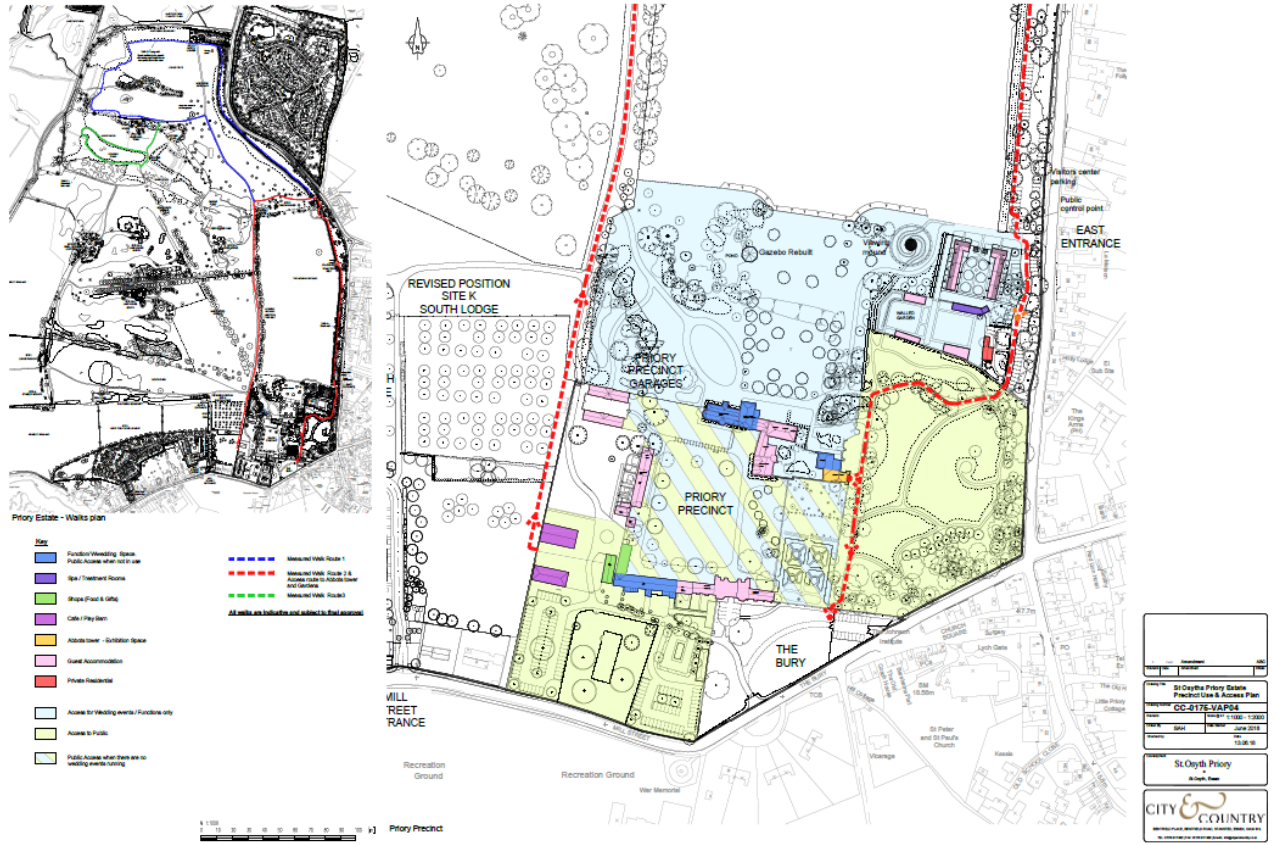
They will sub-lease to the operating company or commercial operator, who will pay a market rent. This is expected to be £12-£14 psf, c.£130,000 per annum plus an allowance for inflation.

The Trust will use the rent, supplementing it with grant funds where possible, to take on the restoration of other heritage assets on the site, with the development work managed for them by City & Country. The operating company / commercial operator will pay a market rent for the additional buildings restored in this way. This will be a peppercorn for any assets, like walls, that do not directly generate income.

It is understood that the Family wish to use proceeds from enabling development from other sites they might acquire in the district to assist with restoring the heritage assets. TDC is obliged to consider these proposals on their individual merit, but understands the value enabling development could have in ensuring that all the heritage assets at the priory are restored and the scale of the challenge in securing enough funding to make it possible.

DG – 22 July 2018

Figure 1: Agreed masterplan for the site



#### CONTACT DETAILS

Tel: +44 20 7935 4499

Dir: +44 20 7344 6582

[david.geddes@colliers.com](mailto:david.geddes@colliers.com)

Colliers International  
Destination Consulting  
50 George Street  
London W1U 7GA

All information, analysis and recommendations made for clients by Colliers International are made in good faith and represent Colliers International's professional judgement on the basis of information obtained from the client and elsewhere during the course of the assignment. However, since the achievement of recommendations, forecasts and valuations depends on factors outside Colliers International's control, no statement made by Colliers International may be deemed in any circumstances to be a representation, undertaking or warranty, and Colliers International cannot accept any liability should such statements prove to be inaccurate or based on incorrect premises. In particular, and without limiting the generality of the foregoing, any projections, financial and otherwise, in this report are intended only to illustrate particular points of argument and do not constitute forecasts of actual performance.