



DELEGATED DECISION OFFICER REPORT

AUTHORISATION	OFFICER	SIGNATURE	DATE
Officer report and recommendation	Catherine Bicknell Head of Planning		13/06/19
Authorisation	Ewan Green Corporate Director		13/6/19.

Proposal: Business strategy for restoration of St Osyth Priory

Applicant: St Osyth Priory Estate Limited

Address: St Osyth Priory, St Osyth, Clacton on Sea, CO16 8NZ

1. Executive summary

- 1.1 The purpose of this report is to determine whether the Council approves the draft Business Plan for restoration of buildings at St Osyth Priory. The report recommends that the Business Strategy is not accepted and gives reasons for refusal and sets out as an alternative what would be required for a Business Strategy to be acceptable.
- 1.2 The report sets out key provisions of the S106 agreement relating to this decision, summarises the submitted business strategy and assesses its content. It concludes that the Business Strategy does not show that there is a realistic prospect of meeting the underlying purpose of the requirement for a business strategy.
- 1.3 As required by the S106 agreement, the report sets out what alternative approach would be appropriate. It explains that the strategy should be a pragmatic bespoke plan that removes all references to estate-wide conservation deficits and focusses on grants, loans or enabling development directed at addressing the needs of the individual Additional Listed Buildings or groups of those buildings on a case by case basis.

2. Purpose

- 2.1 The purpose of this report to determine whether the Council accepts and approves the draft Business Strategy, submitted 14th May 2019, for the restoration of the buildings at St Osyth priory in accordance with the Section 106 Agreement. If the Council does not agree the business strategy it should give reasons for refusal and set out as an alternative what would be required for a Business Strategy to be acceptable.

3. Background and history

Enabling Development

- 3.1 Planning permission has been granted for various developments at St Osyth Priory as a catalyst for the restoration of the Priory buildings.
- 3.2 The main planning permissions for enabling development at St Osyth Priory are:

11/00333/OUT Wellwick: Erection of 190 dwellings on 16.3 hectares of land; new junction and access roads; driveways; parking; footpaths; landscaping and all ancillary works; use of land as an archery range; construction of access drive and

layout of parking area including siting of storage container for archery equipment. The proposals also include for a new footway to be built along a section of Colchester Road, south of the Wellwick.

Approved 18.03.2016

16/00656/FUL West Field: Demolition of existing property at 7 Mill Street and the creation of 72 no. two, three and four bedroom houses, plus associated roads, car parking, garages and landscaping.

Approved 18.11.2016

16/00671/FUL Parkland: Erection of 17 dwellings for use as residential and holiday accommodation (C3 use); restoration of park landscape; bunding; re-grading of 9 hectares of land; construction and alterations to access driveway; landscaping and all ancillary works.

Approved 18.11.2016

3.3 Earlier planning applications for enabling development had been made, refused planning permission and dismissed at appeal, but the appeal decision was subsequently quashed. Fresh applications, 16/00656/FUL and 16/00671/FUL detailed above were submitted and granted planning permission part way through a public inquiry considering appeals against non-determination of the applications.

3.4 Prior to commencement of the public inquiry, the Planning Committee considered the planning applications on 18th October 2016 and resolved that:

(A) the Planning Committee endorses the view that the applications in their current form, based on the applicant's current approach and the latest information that has been provided, would have been REFUSED because the harm to the setting and significance of St. Osyth Priory, the registered parkland and the wider Conservation Area are not outweighed by the benefits of either proposal.

(B) the Planning Committee also endorses the view that approval of planning permission would have been agreed, in line with the advice of the Council's heritage and business planning advisors, if the applicants committed to enter into a Section 106 legal agreement to secure the following:

- 1) The preparation and subsequent approval by the Council of a medium-term (10-year) business strategy for the Priory, which should include a role for a charitable trust and appropriate public access;
- 2) Completion of the repair and reuse of all of the principal buildings and structures within the Priory complex, in line with an agreed survey of condition and order of priority, in addition to the works already secured under the Section 106 agreement related to the Wellwick development, within 10 years namely:
 - i) Darcy House;
 - ii) The Gatehouse (completion of works);
 - iii) Abbot's Tower, chapel and 'Rivers wall';
 - iv) Brewhouse;
 - v) West Barn;
 - vi) Tithe barn, cart shed and dairy;
 - vii) Rose garden walls; and

viii) Northern section of wall (with gate and windows) on the west side of the Bury.

- 3) A regular review mechanism within the Section 106 agreement to allow flexibility to take into account changes in economic conditions, other potential sources of funding and other relevant changes in circumstances.

3.5 Part way through the public inquiry the parties agreed Heads of Terms for a legal agreement in line with the Planning Committee's resolution.

3.6 Planning permission was granted subject to various conditions including one requiring completion of a legal agreement. The Section 106 legal agreement ("the Agreement") was agreed between the parties and completed on 14th March 2018.

Conversion and repair

3.7 Planning permissions have also been granted for the conversion, repair and alteration of various buildings in the precinct. The full planning history for St Osyth Priory is attached at Appendix 1.

Business Strategy

3.8 A draft business plan submitted by the Owners was considered by the Planning Committee on 12th March 2019. The committee resolved that the Head of Planning be authorised to refuse approval of the submitted business strategy, for the following reasons:-

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

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.

The Council's proposed alternative strategy:

It 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.

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 and 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.

Authority is delegated to the Corporate Director for Planning and Regeneration and Head of Planning Services to liaise with the Owners to reasonably request that the submitted Business Strategy be amended to reflect the Council's proposed alternative strategy.

Authority is delegated to the Corporate Director for Planning and Regeneration and Head of Planning Services in consultation with the Council's external consultants to approve or reject, within the context of this decision, any further Business Strategy submitted by the Owners; and

Officers are instructed to refer any matters remaining in dispute in relation to a submitted Business Strategy for Dispute Resolution in accordance with clause 5.1 of the Legal Agreement to ensure that any matters of disagreement can be determined by an independent expert, to minimise any further delay for the benefit of the restoration of the Part 3 buildings.

4. Assessment

- 4.1 Since the Planning Committee's decision on 12th March 2019 to refuse to accept the draft business strategy, a further version has been submitted to the Council and this is the subject of this report.

Buildings to be restored

- 4.2 The essence of the Heads of Terms was that the approval had to sit within the context of a realistic and viable business plan for the restoration of the principally important (not all) the Priory buildings. It was never anticipated that the approved development could fund all of the necessary restoration, but it was important that the funds it delivered were employed in a way which maximised the prospect of the key restoration occurring within a relevant 10 year period. In terms of future funding, the intention was that there be a hierarchy of grant funding, commercial loans and finally enabling development.

4.2 The most important buildings with which the Business Strategy is to be concerned (are the Additional Listed Buildings as defined by the Agreement and detailed in Schedule 1 Part 3 of the Agreement and are as follows:

- Darcy House (where not provided for by already consented enabling development)
- The Gate House (completion of works save where not provided for by already consented enabling works)
- Abbots Tower, Chapel and "Rivers Wall"
- Brewhouse
- West Barn
- Tithe Barn, Cart Shed and Diary
- Rose Garden Walls
- Northern section of wall (with gate and windows on the west side of the Bury)

4.3 These Additional Listed Buildings are known as the Part 3 Buildings.

Relevant terms of the Agreement (for the purposes of this report)

4.4 The starting point for the Council's response to the Business Strategy must be in accordance with the terms of the Agreement.

4.5 Paragraph 4 of Part 1 to Schedule 1 of the Agreement contains the provisions for Additional Restoration (Business Plan) and states:

"4.1 Subject to the grant of all necessary statutory and other consents and approvals and subject to the availability of funding the Owner will separately aim to complete in conjunction with the BPT [Building Preservation Trust] the restoration of the buildings on Schedule 1 Part 3 within 10 years of Commencement.

4.2 The Owner will (in conjunction with the BPT) seek to generate income to facilitate such works in the following order of priority namely:

(i) Grant funding

(ii) Commercial Borrowing on the Trust Property

(iii) Additional Enabling Development

So as to facilitate the completion of the said Restoration of the Buildings in 4.1 above.

4.3 The Owner will in conjunction with the Trust prepare a Combined Business Strategy that realistically and viably seeks to achieve the restoration of the Listed Buildings at Part 3 of the Schedule. The Business Strategy will be submitted to the Council for approval. Failure by the Council to respond within 20 working days will represent an approval of the request. In the event that the Council does not agree the Business Strategy they must provide reasons for the refusal including an explanation of how it will fail to secure the future of the identified Listed Buildings and such other alternatives that they would find acceptable. If there is a dispute this will be referred within 21 calendar days for determination in accordance with clause 5.

4.4 Once the Business Strategy is agreed the Owner and Trust will subject to market forces and availability of suitable funding proceed using reasonable endeavours to deliver the Business Strategy. Similarly without fettering the Council's powers unlawfully the Council will be bound to act where relevant and appropriate in accordance with the agreed Business strategy. For the avoidance of doubt the Owner will not be required to proceed if the Business Strategy does not or will not deliver market returns of profit based upon the

risks associated with the Business Strategy. If the Business Strategy is unviable, then the Owner will prepare a new Business Strategy and seek approval with the Council as set out above. The process will be an iterative process over the 10 years."

- 4.6 For the purposes of these paragraphs, "Business Strategy" is defined in Clause 1.1 of the Agreement as meaning:

"a business plan that will leverage available grant and commercial funding in conjunction with Enabling Development in accordance with clause 4.2 that will seek to deliver within 10 years of the date of Commencement the restoration of the Listed Buildings"

- 4.7 The reference to "clause 4.2" is, in fact, a reference to paragraph 4.2 of Part 1 of Schedule 1 and, therefore, indicates that an element of further enabling development was anticipated to be required to restore the most important listed buildings at the Priory.

"Enabling Development" is also defined in clause 1.1 of the Agreement as follows: "...such applications for further development that would facilitate any shortfall in funding to achieve the aim within 10 years of the full restoration and viable re-use where feasible of those buildings listed in Schedule 1 Part 3."

- 4.8 The Building Preservation Trust is the Trust referred to in Schedule 1 Part 4 of the Agreement, with paragraph 2 stating:

"A company has been incorporated under Company Registration number [CRN 09367206] for the purpose of operation of the Trust and more specifically so as to enable the historic assets contained within the Trust Property and other Property from time to time within the Priory Precinct to be repaired by the Tenant so as to further reduce the Conservation Deficit for the Priory complex as a whole and to facilitate the aims identified within the Heads of Terms."

- 4.9 Appendix 3 of the Agreement includes the Articles of Association of St. Osyth Priory and Parish Trust.

- 4.10 As to dispute resolution, clause 5.2 provides that:
"Any such dispute disagreement question or difference shall be referred to the decision of a single expert qualified to deal with the subject matter of the dispute disagreement question or difference who shall either be jointly nominated by the parties in dispute within a period of 10 working days of reference under Clause 5.1 above or failing agreement on such nomination the expert (who must also be prepared to abide by the terms of reference in Clause 5.3 below by: (i) the President for the time being of the Royal Institution of Chartered Surveyors (or in his absence the Vice President or anyone appointed by the President) and any question of value shall be decided by a Chartered Surveyor of at least 10 years' experience who is independent of the parties in dispute or (ii) where the dispute relates to the construction of this Agreement or matters of a legal nature the Chairman for the time being of the Bar (or in his absence the Vice President or anyone appointed by the Chairman) and shall be a Queen's Counsel or junior of at least 10 years call".

Summary of the business strategy

- 4.11 The submitted business strategy is attached at Appendix 2

- 4.12 The strategy includes a description of a vision for business use on the site comprising a functions and accommodation offering; a visitor attraction and holiday cottages. The aim is to bring back into long term viable use the heritage assets at the Priory whilst seeking to maximise public access and addressing the conservation deficit.
- 4.13 The business strategy says that on an estate-wide basis there remains a conservation deficit of between £20.9M and £24.2M depending on the availability of grant funding. The business strategy contains a phasing schedule which sets out the restoration works identifying those which are already secured, those being progressed by the trust and through applications for grant funding and those items for which funding is not secured. There are three phases of restoration work, 1a, 1b and 2, with the majority of the Part 3 Additional Buildings which, under the Agreement should be the focus of the Business Strategy, contained within Phase 2. Schedule 1 Part 2 of the Agreement lists those buildings and structures that are to be the subject of the Business Strategy and these appear as Phase 2 buildings in the Strategy submitted. The information in the table below is drawn from the business strategy and provides a summary of the sources of funding for the phases of restoration as proposed in the strategy.

Funding source	Phase 1	Phase 2	Total
Enabling development	9,810,000	0	9,810,000
Trust money	950,000	250,000	1,200,000
Bank loans	1,995,059	2,925,065	4,920,124
Grants	3,120,879	1,000,000	4,120,879
Additional enabling development	1,362,712	16,401,754	17,764,466
Super profits	0	160,000	160,000
Gift Aid	0	400,000	400,000
Total	17,238,650	21,136,819	38,375,469

Analysis of submitted business Strategy

- 4.14 The Planning Committee held on 12th March 2019 resolved to refuse approval of the business strategy before them at that time because it contained neither realistic nor viable proposals to secure the restoration of the Additional Listed Buildings (specified in the Section 106 Agreement) within the relevant 10 year period and therefore has not shown it can deliver on its essential aim under the Agreement. The strategy was considered to be unrealistic and unviable because it was reliant upon enabling development proposals of unidentified scale and location justified by reference to a claimed Conservation Deficit of a minimum of £26M which was only partly related to the restoration of the Part 3 Buildings. IN addition, the scale of enabling development and/or public subsidy inherent in the approach appeared out of proportion to the public benefits secured and would be unlikely ever to be sanctioned.
- 4.15 The amended business strategy that has been submitted is in most respects similar to the previous version. It does narrow the restoration proposed to those buildings required by the S106 agreement. However, the reasons for refusal of the previous business strategy are not addressed.

- 4.16 The submitted plan does not produce a viable and realistic solution as required in Paragraph 4 of Part 1 to Schedule 1 of the S106 agreement. It appears to rely on £17.7M of off-site enabling development. There is no detail on where or how this could happen. This is considered to be unachievable.
- 4.17 This scale of off-site enabling development would not be desirable even if it was achievable. It would undermine policies of the Local Plan, development would occur in locations that are contrary to the strategy and policies of the Local Plan. Any public benefit arising from the development would not outweigh the harm caused.
- 4.18 In addition, the strategy appears to depend on the principle that an estimate of conservation deficit for the estate could be used to allow off-site enabling development elsewhere in the district without providing the proper justification that is required for enabling development to be allowed.
- 4.19 The Council, with its heritage advisors, met the owners of the Priory in a series of meetings. A note of the strategy agreed through these meetings can be found at Appendix 3 of this report. The strategy was to use the proceeds from agreed enabling development, grants and commercial funding to restore the heritage assets in a manner that makes the Priory into a successful business operation. The two main elements of the business would be functions and accommodation, akin to a hotel with the core business being weddings. The second element would be visitor-attraction oriented; a combination of heritage attraction and country park.
- 4.20 The strategy discussed was to use the proceeds from the 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. Surpluses generated from this business, plus any further grants, commercial funding and proceeds from enabling development would be used to continue restoration work until the heritage assets are secured for the long term.
- 4.21 The Business Strategy submitted by the owners takes a different approach which focusses on an estate-wide conservation deficit and places significant reliance on additional and by implication, very substantial enabling development elsewhere within the District.
- 4.22 On the assumption that the Trust secures grant funding for the restoration of a number of the Part 3 Buildings, the submitted Business Strategy estimates that the conservation deficit attributable to the remainder stands at £20,886,818 (paragraph 4.44). In order to address this deficit the submitted Business Strategy relies on enabling development. Paragraph 4.4 states:
- "The family is already in control of several suitable enabling development sites and also in the process of securing further sites within the district, to assist with restoring the heritage assets and bridging the gap. TDC will be able to consider each of these proposals on their individual merit, but given the applicants' experience of dealing with sites of this type it is considered they are likely to be more certain than grant funding and this route coupled with the Trust and business approach advocated above is the only viable option."*
- 4.23 However, other than reference to a site at Foots Farm, Clacton (paras 1.20 & 4.24) which, the Business Strategy asserts could deliver funding towards restoration of just £1.76M, no other sites are specifically identified nor does the Business Strategy

itself identify what level of funding other sites could deliver towards the claimed conservation deficit.

- 4.24 Without any details as to sites, their constraints and development costs or the Council's likely reaction to them, the Business Strategy does not demonstrate that it is either a realistic or viable means to secure the funding for the restoration of the Part 3 Buildings within the 10 year period. Indeed, the scale of the conservation deficit relied upon and the absence of any certain proposals to bridge that claimed gap indicates that it, as drafted, it is both unrealistic and unviable.
- 4.25 Using an estate-wide conservation deficit, rather than focusing on the restoration costs of the individual Part 3 Buildings and what is required to fund those, is the principal reason why the Business Strategy is inadequate. The focus should be on the restoration of the Part 3 Buildings and not wider development ambitions elsewhere in the District which may be difficult to relate in any meaningful way to the a global conservation deficit calculated in the way argued in the Business Strategy.

What is required

- 4.26 The Business Strategy should be a pragmatic bespoke plan that removes all references to estate-wide conservation deficits and focusses on grants, loans or enabling development directed as addressing the needs of the individual Part 3 Buildings or groups of those buildings on a case by case basis.
- 4.27 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 and 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.

Finance and Risk

- 4.28 The Agreement provides for resolution of disputes between the Council and the Owners. At clause 5.2 it says: "Any such dispute disagreement question or difference shall be referred to the decision of a single expert qualified to deal with the subject matter of the dispute disagreement question or difference who shall either be jointly nominated by the parties in dispute within a period of 10 working days of reference under Clause 5.1 above or failing agreement on such nomination the expert (who must also be prepared to abide by the terms of reference in Clause 5.3 below by: (i) the President for the time being of the Royal Institution of Chartered Surveyors (or in his absence the Vice President or anyone appointed by the President) and any question of value shall be decided by a Chartered Surveyor of at least 10 years' experience who is independent of the parties in dispute or (ii) where the dispute relates to the construction of this Agreement or matters of a legal nature the Chairman for the time being of the Bar (or in his absence the Vice President or anyone appointed by the Chairman) and shall be a Queen's Counsel or junior of at least 10 years call".
- 4.29 Refusal of the Council to agree a Business Strategy properly submitted in accordance with Paragraph 4 of Part 1 to Schedule 1 of the Agreement, would result in a dispute that would be dealt with according to the prescribed process.

5. Recommendation

The business strategy is not approved because it contains neither realistic nor viable proposals to secure the restoration of the Listed Buildings specified at Schedule 1 Part 3 of the S106 Agreement within the 10 year period required and therefore has not shown that it can deliver on its essential aim under the Agreement.

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 £20.9M. 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.

The Council's proposed alternative strategy:

It 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. This approach is reflected in the record of agreement from that series of meetings, known as 'Vision for St Osyth' and attached at Appendix 3.

Any 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 and 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.

6. Appendices and/or Background documents

Appendix 1 St Osyth Priory planning history

Appendix 2 Submitted business strategy for St Osyth Priory

Appendix 3 Vision for St Osyth – Record of agreement from joint meetings produced by Colliers

St Osyth Priory Planning History

Application Number	Description	Status	Date Closed
11/00328/FUL	Erection of 23 dwellings; new access road; driveways; parking; landscaping and all ancillary works (following demolition of 1 dwelling to form access).	Non Determination Appeal (Appeal Withdrawn)	13.06.2014
11/00329/FUL	Erection of 46 dwellings; new access road; driveways; parking; landscaping and all ancillary works (following demolition of 1 dwelling to form access).	Non Determination Appeal (Appeal Withdrawn)	13.06.2014
11/00330/FUL	Erection of 33 dwellings; new access road; driveways; parking; landscaping and all ancillary works (following demolition of 1 dwelling to form access).	Non Determination Appeal (Appeal Withdrawn)	13.06.2014
11/00331/FUL	Erection of 21 flats within a new "Maltings" style building; new access road; driveways; parking; landscaping and all ancillary works (following demolition of 1 dwelling to form access).	Non Determination Appeal (Appeal Withdrawn)	13.06.2014
11/00332/FUL	Erection of 19 dwellings for use as residential and holiday accommodation (C3 use); restoration of park landscape; bunding; re-grading of 9 hectares of land; construction and alterations to access	Non Determination Appeal (Appeal Withdrawn)	13.06.2014

	driveway; landscaping and all ancillary works.		
11/00333/OUT	Erection of 190 dwellings on 16.3 hectares of land; new junction and access roads; driveways; parking; footpaths; landscaping and all ancillary works; use of land as an archery range; construction of access drive and layout of parking area including siting of storage container for archery equipment. The proposals also include for a new footway to be built along a section of Colchester Road, south of the Wellwick.	Approved	18.03.2016
11/00334/FUL	Construction of a visitor centre/function room suite; part change of use and alteration to Darcy House for use as a function room; internal and external alterations and all ancillary works.	Non Determination Appeal (Appeal Withdrawn)	13.06.2014
11/00335/LBC	Alterations to Darcy House to extend window opening to ground level, insert quoins in stone and retain upper section of window as a fanlight, adapting transom to receive door and install oak frame and door to match west wing north door (but with a straight rather than arched head).	Approved	18.09.2014
11/00336/CON	Demolition of detached dwelling at 7 Mill Street.	Non Determination Appeal (Appeal Withdrawn)	13.06.2014
12/00184/FUL	Alterations and extension; change of use to a house. (Extension of time on	Approved	06.03.2013

previously approved 08/00718/FUL).

12/01285/LBC	Re-ordering of interior with the opening up of windows and the forming of a new window in the gable.	Approved	08.10.2013
12/01312/FUL	New build garages, access and metal park rail fences.	Approved	26.07.2013
12/01316/FUL	Conversion of Abbots Tower into 1 no. 3 bedroom residential unit.	Approved	23.10.2013
14/00955/FUL	Restoration of historic park landscape; bunding; re-grading of approximately 9 hectares of land; construction and alterations to access driveway; landscaping and ancillary works.	Withdrawn	13.08.2014
14/00993/LBC	Taking down carefully and re-building of East Gatehouse & chimney.	Approved	15.09.2014
14/01008/FUL	Creation of a Visitor Centre in the Tithe barn, Cart Shed, Dairy and adjacent paddock including changes of use to A1, A3, B1, D2 and conference/functions/wedding reception use; construction of extensions; internal and external alterations and all ancillary works shown on the drawings.	Approved	09.01.2015
14/01009/LBC	Creation of a Visitor Centre in the Tithe barn, Cart Shed, Dairy and adjacent paddock including changes of use to A1, A3, B1, D2 and conference/functions/wedding reception use; construction of extensions; internal and external	Approved	09.01.2015

	alterations and all ancillary works shown on the drawings.		
15/01060/FUL	Removal of section of boundary wall fronting Mill Street and rebuild on a new reinforced concrete foundation.	Approved	09.09.2015
16/00018/DISCON	Discharge of condition 03 (Archaeology Report) of Listed Building Consent 14/000993/LBC.	Approved	19.02.2016
16/00019/DISCON	Discharge of condition 04 (Archaeology Report) of Listed Building Consent (12/01285/LBC)	Approved	19.02.2016
16/00656/FUL	Demolition of existing property at 7 Mill Street and the creation of 72 no. two, three and four bedroom houses, plus associated roads, car parking, garages and landscaping.	Approved	18.11.2016
16/00671/FUL	Erection of 17 dwellings for use as residential and holiday accommodation (C3 use); restoration of park landscape; bunding; re-grading of 9 hectares of land; construction and alterations to access driveway; landscaping and all ancillary works.	Approved	18.11.2016
16/00712/DISCON	Discharge of condition 6 (archaeological report) of the approved planning application 12/01312/FUL.	Split Decision	07.07.2016
16/00786/FUL	Proposed new build garages, access and metal park rail fences.	Approved	29.07.2016

16/01057/DISCON	Discharge of condition 2 (Details of materials) of approved planning application 12/01285/LBC.	Approved	23.08.2016
16/01258/DISCON	Discharge of condition 4 (materials) of Listed Building Consent 14/00993/LBC.	Approved	21.09.2016
16/01309/DISCON	Discharge of condition 3 (Archaeological Programme) of approved planning application 12/01316/FUL.	Split Decision	13.10.2016
17/00471/FUL	Demolition of pump-house building (including the removal of boilers/flue) and the erection of a building adjoining the bury boundary wall, for uses as a store.	Approved	16.06.2017
17/00472/FUL	Erection of new substation building (containing emergency generator and bunded diesel tank) and subterranean gas governor valve.	Approved	16.06.2017
17/00634/FUL	Variation of condition 3 of planning permission 16/00671/FUL - To allow the re-location of Lake House North and South Lodge.	Approved	19.12.2018
17/00674/LBC	Demolition of pump-house building (including the removal of boilers and flue) and the erection of a building adjoining the bury boundary wall for use as a store.	Approved	16.06.2017

17/01175/FUL	Variation of condition 3 of 16/00656/FUL to allow amendments to the elevations and layout of Phase 1 and removal of condition 14 part e to remove the requirement to relocate the bus stop.	Approved	21.12.2018
17/01593/DISCON	Discharge of conditions 02 (S106 Agreement), 07 (Construction details), 08 (Wastewater Strategy), 09 (Foul Water Strategy), 10 (Surface Water Strategy) 11 (Landscape/ habitat management plan), 12 (Construction and Environmental management Plan), 13 (Cleaning facility), 14 (Highways details), 15 (Amendments to Drawings), 17 (Local Recruitment Strategy), 19 (External Lighting) and 20 (Construction Method Statement) of Planning Permission 16/00656/FUL.	Approved	18.09.2018
	Discharge of Conditions 02 (S106 Agreement), 08 (Construction Details), 12 (Landscape/ habitat management plan), 14 (Construction and Environment Plan), 15 (Cleaning facility), 17 (Local Recruitment Strategy) and 19 (Construction Method Statement) of planning permission 16/00671/FUL.		
17/01683/DISCON	Discharge of condition 03 (landscaping) of planning permission 17/00472/FUL.	Approved	10.04.2018
17/01735/DISCON	Discharge of condition 03 (external facing, roofing and hardsurfacing materials), 04 (hard and soft landscaping), 08 (written scheme of investigation), 10 (details of new or replacement windows and doors) and 11 (new balustrade and staircase drawings) of approved planning	Approved	04.01.2018

	<p>permission 14/01008/FUL. Discharge of condition 03 (external facing, roofing and hardsurfacing materials), 04 (hard and soft landscaping), 05 (details of new or replacement windows and doors) and 6 (new balustrade and staircase drawings) of planning permission 14/01009/LBC.</p>		
17/01828/DISCON	Discharge of condition 4 (Materials) of approved planning application 16/00656/FUL.	Approved	29.05.2018
18/00042/DISCON	Discharge of condition 2 (wall details) of planning permission 15/01060/FUL.	Approved	26.01.2018
18/01166/FUL	Variation of condition 2 of approved application 17/01175/FUL to allow amendments to the elevations and layout of Phase 2.	Approved	18.04.2019
18/01476/DETAIL	Erection of 190 dwellings on 16.3 hectares of land; new junction and access roads; driveways; parking; footpaths; landscaping and all ancillary works; use of land as an archery range; construction of access drive and layout of parking area including siting of storage container for archery equipment. The proposals also include for a new footway to be built along a section of Colchester Road, south of the Wellwick.	Current	
18/01596/FUL	Erection of 14 dwellings. (As part of previously approved West Field scheme.)	Current	
19/00032/FUL	Variation of Condition 2 (Approved	Approved	08.04.2019

plans) of application 17/00634/FUL -
to allow amendments to the elevations
of Lake House North and the re-
building of the end gable serving Nuns
Hall.

19/00208/ADV

5 No. signs to advertise development
and business activities.

Approved

07.06.2019

ST OSYTH PRIORY BUSINESS PLAN PART III



Prepared by City & Country On behalf of the Sargeant Family
November 2018 (Updated April 2019)

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Appendices

Appendix A BCIS All-in TPI

Appendix B Vision Layout

Appendix C Phasing Plan

Appendix D Trust Cashflow

Appendix E Business FINANCIALS

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Appendix H Savills Business Plan November 2017

Appendix I SECTION 57 of the Planning (Listed Buildings and Conservation Areas) Act 1990

Appendix J Knight Frank Farmland Index Q2 2018

Appendix K Correspondence from HLF

Appendix L Letter from Milsom Hotels & Restaurants

Appendix M Revenue

Appendix N Expenses

Appendix O Section 106 March 2018

Appendix P summary critique of Colliers Report 11 January 2019

DISCLAIMER

The information contained in these documents is confidential, privileged and only for the information of the intended recipient and may not be used, published or redistributed without the prior written consent of signatories below.

This document has been updated April 2019 to account for changes in Build Costs and Residential Property Values, as well as comments by the Planning Committee 13 March 2019.

Costs and incomes relating to Phase 2b have been removed because they are not on the list of Heritage Assets identified by the Council. This has reduced the overall Conservation Deficit but has increased it for individual assets due to the fixed cost of elements of the calculation. For example: the survey and analysis costs in relation to the work so far or the costs for the preparation of the Business Plan or the external works are required whether or not the additional heritage assets are restored.

PRODUCTION & S106 AGREEMENT

The document has been prepared and coordinated by City & Country on behalf of the Sargeant Family, St Osyth Priory Estate and the St Osyth Priory & Parish Trust. This proposed business plan has been produced to satisfy the requirements of the 14 March 2018 section 106 (s106) agreement, which relates to planning permissions 16/00671/FUL and 16/00656/FUL.

The Trust (acting as an independent body) has worked alongside City & Country and the other parties to produce a coordinated Business Plan that combines the work of the individual entities associated with The Priory at St Osyth. Each independent party agrees that the latest business plan proposals are accurately reflected within this document insofar as they relate to the elements in which they have an interest. Whilst the respective parties are committed to working together, they cannot be held responsible for the element of business plans provided by or relating to the other parties. All of which are subject to market forces and other variables that may alter the exact details.

For example the Trust cannot be held responsible for the details relating to or the delivery of the Family's or their related companies' business plan/s nor its acceptability to others but the Trust are content that the proposals do not adversely affect the delivery of the Trust's own business plan, subject to HLF requirements and rules applicable to Trustees.

The approval of the combined business plan is a matter for the Council as set out in the March 2018 s106 agreement relating to the applications, but it has been prepared in conjunction with the parties as set out below:

- The Sargeant Family - "the Owner" (of the estate including the historic Priory precinct)
- The St Osyth Priory Estate Ltd - "the Owner" (West Field and Park development sites)
- The St Osyth Priory & Parish Trust - "the Trust"

I. EXECUTIVE SUMMARY

- 1.1. This Business Plan sets out along with the salient history the delivery strategy for the agreed 'vision' that will see St Osyth Priory Estate run on a commercial basis comprising the three following business operations:
- **A Functions and Accommodation Offering:** 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.
 - **A Visitor Attraction:** This will be a combination of heritage attraction and country park, with an attractive retail, food and beverage offering.
 - **A Holiday Cottages Offering:** to make use of the environment and buildings when they are not booked for weddings and events.
- 1.2. The Aim of the Business Plan is to bring back into long term viable use the Heritage Assets¹ at St Osyth Priory identified by the Council within the 14th March 2018 s106 agreement, the s106 between the Owners and the Trust, whilst seeking to achieve the Council's goal of maximising public access and simultaneously addressing the Conservation Deficit associated with those assets and the delivery of the three business operations successfully, as set out above.
- 1.3. This Business Plan has been produced to be in accordance with the March 2018 s106, a copy is contained within Appendix P.
- 1.4. The Aim is to deliver the complete restoration of those heritage assets identified by the Council (via the Planning Committee Resolution in September 2016) and listed below by September 2026, which will be 10 years from the Committee Resolution of September 2016:
- Darcy House
 - The Gatehouse (completion of works)
 - Abbot's Tower, Chapel and 'Rivers Wall'
 - Brewhouse
 - West Barn
 - Tithe Barn, Cart Shed and Dairy
 - Rose Garden Walls
 - Crenellated Wall [Norther section of wall (with gate and windows) on the west side of the Bury]
- 1.5. Once the future of these buildings is secured further consideration will need to be given to the delivery of the other assets that are lesser graded but are still significant in their own right.
- 1.6. This Business Plan includes the salient history and information that would allow a third party to understand the full context and so that the Council or an independent expert may determine whether the Business Plan aligns with the requirements of the s.106 and will achieve the 'Aim'.
- 1.7. All these heritage assets are owned by the Sargeant Family or St Osyth Priory Estate Ltd, who are termed as the Owners in the s106. They have sold the enabling development sites in the West Field and within the Park to a family company, St Osyth Priory Estate Ltd, which has the potential to become the operating company for the entire estate.
- 1.8. A 'Trust', called the St Osyth Priory & Parish Trust (SOPPT) was established in 2016 with its aim being to support the restoration of key historic buildings at St Osyth Priory; principally the Abbot's Tower, Tithe Barn, Dairy, Cart Lodge and boundary walls. That are deemed beneficial to providing a successful Wedding Venue and Visitor Attraction. The March 2018 s106 requires the

¹ A number of heritage assets on the historic estate have been excluded for the purposes of this Business Plan but they will need to be addressed elsewhere.

Trust is given a 90-year lease by the current owners, for any buildings upon which they successfully secure funding to restore in their entirety. The Trust then leaseback the space once restored to the Family or their chosen operating business at a market rent. The Trust properties and the arrangements referred to are defined in the s106. The Council are Tendring District Council and they are the local planning authority, but they have assumed additional functions and obligations as set out within the s106.

- 1.9. The Trust and the Family has worked in conjunction to produce this combined Business Plan as set out on the signature page.
- 1.10. The Trust will play a key role in the delivery of the Business Plan and have supplied City & Country with their own Business Plan Cash Flow, which is provided at Appendix D and they are content that the role and responsibilities are accurately reflected in this document.
- 1.11. This vision will deliver multiple benefits for the district and region, by diversifying the offering in the area and extending the traditional summer season. This will create more full-time employment in the area and reduce the negative impact that seasonal employment can have on an area. All of which will help stimulate the economic regeneration of an otherwise very deprived area. It is estimated that by Year 10 the current Vision will result in circa £31.4–74.1M of additional spending per annum within the local area.
- 1.12. The Local Economy would gain an average £49.0 million in associated benefits. In addition, the Government and Local Authority would gain by £41.6 million in tax receipts, representing 52.4% of the gross development value of the homes granted. Any additional enabling development would do so at a rate of c. 43% of GDV.
- 1.13. This enabling development will also support an estimated 975 jobs, both locally and in the wider economy.
- 1.14. The scale of the Conservation Deficit and the timescale for complete delivery of all the restoration works has dictated that a phased approach being taken, using funding that is available from Grant Funding, Commercial Loans, and Enabling Development.
- 1.15. A simple phasing plan had been agreed with the Council and their advisers along with the uses for each of the buildings. These are available at Appendix C.
- 1.16. The scale of the Conservation Deficit means that the Trust are unlikely to be able to deliver the complete restoration by themselves. It was agreed by all Parties at the November 2016 Inquiry that circa £5m was the maximum amount of Grant Funding that the Trust were likely to be able to secure towards the restoration. The Trust has already made an unsuccessful grant application of circa £3m to contribute to the restoration of the Tithe Barn, Dairy and Cart Lodge, which although initially unsuccessful the HLF has provided clear direction and a revised bid will be submitted shortly. They also intend to make further grant applications for funding towards the restoration of the Abbot's Tower.
- 1.17. This plus the £1.2m already secured for the Trust via Enabling Development means that they will make a valuable contribution to reducing the Conservation Deficit that is circa £24.2m (excluding those heritage assets not identified by the Council) but a significant funding gap will remain.
- 1.18. It is proposed to deliver the restoration works in two phases. Phase 1 being those heritage assets that are required for the delivery of the initial business operations, which are as follows:
 - Darcy House West
 - Abbot's Lodgings (Darcy House)
 - Gatehouse
 - Tithe Barn, Dairy and Cart Lodge
 - Bailiffs Cottage
 - Crenellated Wall

- 1.19. Phase 2 comprises the remaining heritage assets referenced on the Council's list that are considered non-essential to the initial business offering but that can make valuable additions to its long-term viability.
- 1.20. Subject to the success of the Trust's Heritage Enterprise Bid for the Tithe Barn, Dairy and Cart Lodge and the approval of a "enabling development package" at Foots Farm, based on restorations works being funded at The Priory in lieu of the value of the standard affordable housing requirement at Foots Farm funding for the delivery of phase 1 will have been secured. This application is currently registered with the Council.
- 1.21. In summary the proposed vision for St Osyth Priory will generate a value, once complete, of circa £10.6m. This is based on the projected cash flow that shows the business turning a profit in Year 6 of £154k, rising to £660k in year 10.

Completed Value of Scheme		March-19
Business Operations		£5,107,332
Residential Property		£3,182,056
Agricultural Land		£2,282,280
	Total	£10,571,668

- 1.22. Accounting for funding already secured the remaining Conservation Deficit Is £24.2m. This is calculated in detail at Section 4.

Income/cost heading	A	B	C	D
	BNP- Nov 2016	BNP- Nov 2016 (ind August 2018)	Agreed Vision (August 2018) @7%NPV	Agreed Vision August 2018 @7%NPV (HLF Grant successful)
Total Site and Property costs	£5,919,410	£5,998,583	£5,553,463	£5,553,463
Total design and construction costs	£33,547,655	£38,386,322	£23,633,433	£18,578,537
Total costs	£41,215,666	£46,133,506	£29,974,875	£25,081,933
Total net costs	£49,458,799	£55,360,207	£35,969,850	£30,098,320
Total Value Completed scheme	-£15,757,311	-£15,827,616	-£11,771,668	-£9,211,501
CONSERVATION DEFICIT	£33,701,488	£39,532,590	£24,198,182	£20,886,819

- 1.23. It should also be noted that the BCIS All-In TPI Index, at Appendix A, forecasts over the next 4 years to 2023 that build cost will rise around 22% so average of 5.4% per annum. This alone would add an extra £5.2m in build and professional fees over that period. This is excluding estimated deterioration pa of £500k plus. It is therefore imperative that a solution is a complete solution is agreed in a timely manner preventing further increase to the Conservation Deficit.
- 1.24. Subject to the success of the Trusts submitted and intended Grant bids this amount would be reduced to £20.9m. The aim being to deliver this in the following Phases:

Phase	Conservation Deficit	Funding Secured	Timescales
Phase 1	£17.2m	£10.8m	2018-2023
Phase 2	£21.1m	£0.35m	2019-2026
Outstanding CD	£24.2m		

- 1.25. Those works within Phase 1 that already have funding secured have commenced and the intention is that Phase 1 will complete end of 2022 allowing the main businesses to become operational in 2023. The Glamping is currently forecast to start sales in 2022 but this is subject to the larger HLF bid being successful in 2020.

1.26. The funding mix for Phase 1 is as follows:

Phase 1 Funding Mix (To open the venue in earnest):		
Source	Amount	Comments
Consented Enabling Development	£9,810,000	Total raised by Wellwick, Park and West Field, which has secured works to Bailiffs Cottage, Darcy West, Abbot's Lodging (repair only), Darcy East roof and Gatehouse (complete)
Trust Money	£950,000	Portion of the £1.2m secured for the Trust via West Field & Park Enabling Development and allocated to the Tithe Barn, Dairy and Cart Lodge project.
Bank loans (commercial funding)	£1,995,059	£2.0m for new works; including Glamping Pods, Guest Suites in the Walled Garden & above the Garages, conversion of the Atcost Barn, and additional conversion costs to make properties suitable for commercial
Grants from Historic England, HE & others	£3,120,879	£2.97 HLF bid already submitted; plus £150,000 of fund raising by the Trust including smaller Grant applications to be made.
Additional Enabling Development (Abbot's Lodgings & Crenellated Wall)	£1,362,712	Abbot's Lodgings (internal fit out)- £457,960 Remainder of Crenellated Wall- £904,752
Total:	£17,238,650	

1.27. The Business Plan aims to secure funding for Phase 2 within 60 months. This will include the submission of further grant applications by the Trust to fund repairs to the Abbot's Tower. Plus, further commercial borrowing and enabling development.

Phase 2 Funding Mix (to complete the Council's list of heritage assets)		
Source	Amount	Comments
Trust Money	£250,000	Remainder of £1.2m secured by Enabling Development
Grants from HLF, HE & others (Abbot's Tower)	£2,925,065	£400,000 Grant from Historic England. Already allocated to the Sargeant Family, the Trust are to apply for it to be transferred. The Trust are seeking an increase to cover

Phase 2 Funding Mix (to complete the Council's list of heritage assets)		
		additional costs and to improve the support for the Trust's aims. (the exact amount for Grant from the HLF will be dependent on the grant scheme requirements)
Longer Term Grants	£1,000,000	With a proven track record there is a possibility that the Trust will be able to secure further grants from various organisations that could contribute to works later on in the plan period. £1,000,000 is considered an optimistic but achievable figure.
Super Profits	£160,000	Based upon the funding package for phase 1 and 2 being secured in these time frames the Family are prepared to offer that if the business makes excess profits 'Super Profits' a % of these will be passed on to the Trust. The cashflow is based on the work done by Savills and Colliers and it is considered an accurate forecast. Therefore, only a modest amount has been allowed for potential 'Super Profits'. See combined Cashflow at Appendix D
Gift Aid	£400,000	The Trust are hoping to secure Gift Aid against the £1,2m they have already secured from Enabling Development. £100,000 has already been secured.
Additional Enabling Development	£16,401,754	Total cost of delivering phase 2 less the targeted grant amounts.
Total	£21,136,819	

- 1.28. This Business Plan shows how the businesses need to be funded and they show the costs and incomes associated with delivering the restoration of the listed buildings with the Council's list over a 10 year period.
- 1.29. The Trust Cashflow at Appendix D shows that the Trust cannot restore any more within these timeframes. Also, the HLF are very unlikely to give further high value grants in such a short space of time. They need to see the grants bear fruit so there may be other grant funding available outside the 10 year plan period.
- 1.30. The Commercial loans have been set at the maximum sensible level based on the activities coming forward, a 60% loan to value or a commercial mortgage at over 5-15 years.
- 1.31. The s106 acknowledges that any shortfall in funding to deliver the 10 year aim would be made up from enabling development. The total amount of enabling development required for both

phases is an estimated to be £17.76m and this has been calculated in accordance with the Historic England's 2008 Enabling Development guidance as required by the s106.

- 1.32. The only outstanding and viable ways this enabling development figure could be reduced and still accord with the s106 would be if:
 - the Council lent the Trust or the Family monies at more favourable rates than those included in the Business Plan or
 - when the works for the Trust are tendered, they are lower than budgeted or
 - the Trust accept a lower profit than 10% or
 - the business is more successful and either the rental value of the property increases, or the business value increases or both and this reduces the C D.
- 1.33. The Council has been asked to clarify its position on the loans.
- 1.34. The works can only be tendered once the Grant has been successful and it could in fact be higher depending upon market conditions at the time.
- 1.35. The profit margin the Trust has is only at the level that Historic England recommend as an acceptable contingency on restoration works so guarding against higher figures and in any event this profit has been accounted for and reinvested in the Trust's cashflow.
- 1.36. The super profits element caters for this as does the fact that there are 5 yearly rent reviews. As the asset valuation is already based on a profit based valuation at relatively low margins then any adverse movement at the outset before the business has established is likely to be counter-productive and increase rather than decrease the Conservation Deficit.
- 1.37. The optimum way to deal with the potential improvement would be to grant enabling development but link the implementation of say the last 10-15% of the value to a review that may show that not all of it is required. In other words, grant consent for the full £17.76M but have a clause that the final X number of houses (say) cannot be built until a review is undertaken that determines the amount of units that are required to address any outstanding Conservation Deficit at The Priory.

2. INTRODUCTION

- 2.1. Following the completion of the s106 and a detailed review of the potential use options for St Osyth Priory undertaken in earlier Business Plan iterations, Parts I and II, a vision (the Vision) to achieve the Council's goal of maximising public access, whilst seeking to reduce the Conservation Deficit has now been agreed between parties.
- 2.2. As agreed by all parties a Conservation Deficit exists but there is an ongoing debate as to the exact quantum despite this being resolved at the November 2016 planning inquiry via the joint expert's report. A Conservation Deficit is the negative difference between the costs required to restore a heritage asset and bring it back into long term use and its positive value in the property market. Simply put it is a situation where it costs more to conserve than it is worth to the property market, although it is highly valuable to society. This creates both viability and funding issues.
- 2.3. This Business Plan is produced to allow a better understanding of what is possible so that the amount of enabling development required can be managed to a level that is a viable and acceptable minimum, whilst accounting for the inherent risks involved.
- 2.4. The s106 sets out how this is to be achieved including how the Conservation Deficit is to be calculated and addressed, which is in effect in line with relevant guidance at the date of the agreement. This would typically encompass the Historic England 2008 Enabling Development Guidance and the RICS Guidance Viability in Planning 2012.
- 2.5. An earlier version of this Business Plan (November 2018) resulted in some criticisms from the Council's adviser, Colliers, and the Council put the matter to their planning committee in March 2019. This version is a revision that takes on board some of the Committee's comments to reduce the amount of differences; whilst fulfilling the requirements of the s106.
- 2.6. The major difference between the Council's consultant and this proposed Business Plan is the Council's consultant has devised a 'bespoke' solution that is not in accordance with Historic England guidance and does not provide a viable solution. Therefore, it will not allow the project to proceed and is not a realistic alternative.
- 2.7. Colliers' alternative approach as a whole is not one supported by guidance but rather takes elements of the two approaches advocated within the Historic England guidance. The outcome of which artificially reduces the Conservation Deficit to incorrectly justify a lower requirement for enabling development. For example, it is akin to the approach set out for historic entities², which it is acknowledged, does not make an allowance for a developer profit. However, it also requires that the end value of the property is *not* deducted as the historic entity is not to be sold. To put this in context, and as set out below, the Historic England advocated typical and more commonly used approach to calculating the Conservation Deficit allows for a developer's profit of 20% of costs, which in this calculation is equivalent to £5.99M but the end value of the property is deducted from the Conservation Deficit. Therefore, in this Business Plan £5.55M is added but then the end value of the property, which is circa £10.57m is deducted. This makes a net positive impact of £5.02m, in reducing the amount of enabling development required. The 'bespoke' approach by Colliers does not follow the typical approach or that of a historic entity. Further, Historic England confirmed in 2009 that The Priory was not an historic entity and insisted upon a marketing campaign as a result. A summary critique of Colliers Report 11 January 2019 is provided at Appendix Q. It is anticipated that Colliers will provide a fresh report in light of this critique and this revised Business Plan.
- 2.8. This Business Plan has used figures provided by the jointly appointed expert BNP Paribas at the 2016 planning Inquiry and has updated them using the BCIS All-TPI and the Land Registry House Price Index. This approach has been taken to avoid costly and unnecessary debate or delay between the parties.

² An historic entity is an outstanding ensemble of historically associated buildings, often land (which may include archaeological remains) and normally contents, whose significance would be inevitably and materially harmed by break-up and sale

AGREED VISION

- 2.9. The ambition is to bring forward the restoration and reuse, wherever possible, of the heritage assets at St Osyth Priory as listed below.

Works	Listed Status	Phase	Stakeholder responsible
Darcy House West	I	1 a	Family
Darcy House East Wing Roof	I	1 a	Family
Darcy House South & East	I	2	Family
River House Walls	I	2	Family
Chapel	I	2	Family
Abbot's Lodgings Historic Asset repair	I	1 a	Family
Abbot's Lodgings internal fit out.	I	1 b	Family
Abbot's Tower	I	2	Trust
The Gatehouse	I	1 a	Family
The Tithe Barn, Diary and Cart Shed	II*, II and II	1 a	Trust
The Brew House	II	2	Family
Drying Shed	II	2	Family
West Barn	II*	2	Family
Bailiffs Cottage	II*	1 a	Family
Boundary Wall- West Wall: Crenellated Wall South of Gatehouse	II* and SAM	1 b	Family/ Trust
Topiary and Rose Garden West wall	II and SAM	2a	Family
Topiary and Rose Garden East wall	II and SAM	2a	Family

- 2.10. The aim is to provide the heritage assets with a self-sustaining, long-term viable use. This Vision envisages the Estate run on a commercial basis and made up of three main business components.

2.11. The plan below shows the overall Vision for the site (a scale version is provided at Appendix B):



2.12. Most of these uses already have planning and/or listed building and/or Scheduled Ancient Monument consent but this new Vision will require adjustments to existing consents, as well as some new consents.

THE STAKEHOLDERS

2.13. The key stakeholders and their roles in the delivery are:

- **The Family³** who own the freehold of the entire estate and will be granting 90-year leases to the Trust for specific properties that the Trust are able to secure funding to restore in full. The Family will simultaneously take an agreement to leaseback these properties once restored; ensuring the wedding and conference venue, holiday homes and visitor attraction can be managed as a harmonious single entity. The Family are thus freeholder and operator, although they may contract out certain aspects to specialist operators.
- **The Trust** is a registered charity and is an independent entity from the Family. There are seven trustees or members and Tim Sargeant is the only Family Trustee. If successful with grant applications, the Trust will take the leases on those properties that can be restored with the funds they have secured. Once complete these Trust properties will be sub-leased back to the Family at a market rent. The rent will be used to pay any commercial loans required, to secure further grant funding and/or to carry out further repairs without grant. The Trust are effectively leaseholders, developers and fund-raisers. All lease agreements will be subject to charity commission approval.
- **City & Country** is the Family's development and construction company, which specialises in the restoration and conversion of historic and listed buildings in England and Scotland. The company is a leading specialist in this particular field with over 35 years' experience in the heritage sector. City & Country will undertake all the construction and development work for the Family. The Trust will not use City & Country unless they competitively tender

³ For the avoidance of doubt the 'Family' is defined as 'Messrs Richard, Timothy, David and Andrew Sargeant', and shall include any companies set up for the purpose of delivering the 'Vision' and owned directly by them.

and win the work. City & Country do not however intend to tender for any of the construction works at this stage. City & Country has a representative on the Trust.

- **Tendring District Council** is the Local Planning Authority. The Council has a representative on the Trust.
- **St Osyth Parish Council** is the local Parish Council and has a representative on the Trust.
- **Historic England** is the Government's heritage adviser and are therefore a statutory consultee to Tendring District Council, with regard any planning or listed building application.
- **The Priory Estate** is the collective name for the combined heritage assets and land that are viewed as the estate.
- **St Osyth Priory Estate Ltd** is the Family company that has acquired the Family's interest in the West Field and Park development sites.

THE ROLE OF THE TRUST

- 2.14. The St Osyth Priory & Parish Trust, was established in 2016 with its aim being to support the restoration of key historic buildings at St Osyth Priory; principally the Abbot's Tower, Tithe Barn, Dairy, Cart Lodge and boundary walls. That are deemed beneficial to providing a successful Wedding Venue and Visitor Attraction. A legal agreement is in place that requires the Trust is given a 90-year lease by the current owners, for any buildings upon which they successfully secure funding to restore in their entirety.
- 2.15. The intention is that the Trust will, over the course of time via different funding sources, seek to bring these elements back into beneficial use. Limited funds and resources however require a strategic approach to be taken.
- 2.16. The Trust is due to receive £1.2m from the enabling development consented on the West Field and within the Park, which is to be used as match funding for grant bids and is secured via a s.106 legal agreement. The money is payable to the Trust in instalments as the development progresses, with the two triggers being:
 - the commencement of the West Field Development, when £400,000 is due to be paid; and
 - the completion of the floor slabs of the four properties within the Park that the Sargeant Family are to occupy, when the remaining £800,000 will be paid.
- 2.17. The West Field is has commenced in Spring 2019, with the Park buildings starting Summer/Autumn 2019. The first payment of £400,000 has been paid into the escrow account.
- 2.18. The Trust are aiming to leverage grant funding into the project in the most cost effective manner and they have their own agreed cashflow (See Appendix D) around which this combined Business Plan has been built.

THE DELIVERY STRATEGY & PUBLIC ACCESS

- 2.19. 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 in the Trust properties, will manage the estate as a business; which will seek to maximise profits, so far as is compatible with sustaining its heritage values. This will reduce the Conservation Deficit and increase the potential for viable commercial loans that will assist with the restoration of further properties.
- 2.20. The ambition is to restore the buildings as listed above and contained in the historic precinct by September 2026, which will be 10 years from the Committee Resolution of September 2016.
- 2.21. Any delay will, negatively impact on profit generation, which will reduce the property values and consequently increase the Conservation Deficit gap funding required. It will also increase the risk

of a major loss of heritage significance. The sooner the funding gap can be closed, and all the precinct buildings are brought back into beneficial use, the better. Subject to the success of the business ventures, this will provide The Priory Estate with a long-term viable future.

2.22. The three main components of the business are:

- **A Functions and Accommodation Offering:** 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.
- **A Visitor Attraction:** This will be a combination of heritage attraction and country park, with an attractive retail, food and beverage offering.
- **A Holiday Cottages/ Bed & Breakfast Offering:** to make use of the environment and buildings when they are not booked for weddings and events.⁴

SITE LAYOUT

2.23. It is agreed that to deliver the above Vision, the optimal site layout and use of buildings is as follows (shown on the plan above and provided to scale in Appendix B):

- New build café and entrance building of appropriate architectural standard, alongside a children's play area, to the west of the Cart Shed, probably containing a kitchen capable of preparing food for all 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, with cosmetic improvement to the exterior, for indoor play, base for cycle hire and other activities on the estate. The Parkland walks will start from this location.
- Cart Lodge used for food-orientated 'Farm Shop'.
- Ground floor of Dairy used for gifts-orientated shop; upper floor for Estate offices.
- Tithe Barn used for events and pop-up commercial activities 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 accommodate 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 / tearoom on the ground floor; 3 luxury guest rooms on first floor.
- Abbots' Tower and the Chapel to be a visitor attraction, with the Tower containing an exhibition about the story of St Osyth. The Chapel will also 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 consent is intended to be used to provide visitor accommodation in the short term, but they may be retained as visitor accommodation in the longer term if there is demand, (there are very few wedding venues in Essex with 50+guest suites). Darcy House East and South will provide further accommodation, once funding has been secured.

⁴ The value of Holiday Cottages has already been accounted for as part of BNP November 2016 report and has contributed to the reduction in Conservation Deficit for those buildings funded by the West Field and Park enabling development.

- 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 circular 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.
- 2.24. It is recognised that there may need to be a time curfew on weddings while properties in the Precinct remain in residential use. Whilst this is believed to be a major limiting factor, it is considered by Colliers that this can be managed accordingly. The Business Plan adopts the Colliers' view but if the matter proceeds to expert determination then it this will be a matter to be determined by the expert.
- 2.25. Darcy House West and the Tithe Barn, plus enough space around them to provide the privacy individual bookings specifically necessitate, will be closed to visitors while events are taking place. Some areas will also need to be closed for a reasonable set-up period but will otherwise be open to visitors. Subject to these booking requirements, most of the Priory Precinct will be accessible to the public (paying the appropriate fee).
- 2.26. Circular walks around the Park will be part of the Visitor Attraction. These will be open at the same time as the café, gift shop and farm shop and closed to the public outside of operating hours to ensure security and allow appropriate management.
- 2.27. Savills, advising the Family, and Colliers, advising Tendring District Council and Historic England, have both suggested that this Vision, subject to dealing with the Conservation Deficit, prudent management and stable market conditions, is likely to be deliverable and successful. The key issue to overcome is the viability issues around the outstanding Conservation Deficit and a phased delivery of the Vision due to the lack of funding to deliver the entire project in one go.
- 2.28. The phasing concentrates the initial business activities on viably utilising buildings which either already have funding for restoration, via the enabling development, or buildings that are considered likely to be successful in gaining substantial grant funding. The historic precinct will therefore be restored in a minimum of two phases. The first phase being the buildings and land that make up the southern part of the historic monastic precinct. The second phase is the northern part of the precinct. The Park will also be phased in a minimum of two phases to dovetail in with the building phases. There are plans in Appendix C that detail the demonstrate the phasing.
- 2.29. Funding to deliver the Vision is being sought from three funding sources, in Council's order of preference as set out in the s106, being in order of priority; grant funding, commercial funding⁵ and lastly further enabling development. To understand what funding is required the Conservation Deficit needs to be calculated. This is shown in Section 4.

GRANT FUNDING

- 2.30. The enabling development thus far has been the major source of funding and has enabled work to start on the estate, having raised in excess of £11M. There has historically been grant funding from Historic England of around £400,000 which has been spent on ruins and boundary walls. Natural England has also provided a capital works grant funding of £248,000 which has been used mainly within the historic landscape. The consented enabling development will also provide St Osyth Priory and Parish Trust (the Trust) with a sum of up to £1.2M to further its aim to support the restoration of key historic buildings at St Osyth Priory via grant funding. It is also hoped that

⁵ Commercial Loans cannot solely reduce the conservation deficit because they eventually need to be repaid. However, where they can generate a long-term income more than the financing costs the additional commercial value will reduce the conservation deficit.

the Trust will be able to claim a further £400,000 of Gift Aid against the Enabling Money, although to date £100,000 has been reclaimed.

- 2.31. To maximise the amount of work that the Trust can undertake, their intention is to use this money as match funding to secure additional grant funding. Any grants that can be secured will assist in delivering the Vision. The intention is to apply for grant funding, initially from the Heritage Lottery Fund and then from Historic England; with other sources providing valuable but rather smaller funding amounts. This business plan assumes that £5–6M of grant funding will be secured within the first 5 years of the Business Plan. A further £1m of grant funding is targeted between years 15–17 of the plan period. These sums are only potentially achievable due to the £1.2M already pledged from the consented enabling development.
- 2.32. Grants and revenue generated by the Trust will be used to create training and educational schemes, as well as continuing to fund restoration work and ensure assets that are not capable of viable use are properly maintained.
- 2.33. The first major grant application was submitted to the Heritage Lottery Fund's (HLF) Heritage Enterprise Fund (for more details see the Role of the Trust section). The HLF advised that bids of between £2–3M stand the best chance of success; it was therefore decided that the Abbot's Tower should be removed from the Heritage Enterprise bid as it is more suited to a Heritage Grant. Unfortunately, this bid was unsuccessful.
- 2.34. In light of the above, the Trust intends to submit fresh grant applications Heritage Lottery Fund to cover initially a smaller educational focused project and then a revamped large application incorporating the guidance and feedback they have received from the Heritage Lottery Fund.
- 2.35. The large grant application is to deliver the restoration of the Tithe Barn, Diary and Cart Lodge. The project has a total delivery cost of £4,975,811 and if successful should bring these three heritage assets back into long term viable use and establish the key commercial element of the agreed Vision.
- 2.36. The funding mix for this project is as follows:

Source of Funding	Totals
Cash contribution (uplift in value of the property)	£904,933 ⁶
Applicant Contribution from Enabling Development Escrow	£950,000
Fund Raising (including other grants)	£150,000
Total match funding	£2,004,933
HLF Grant Funding	£2,970,879
HLF Grant as % of Total	59.7%

- 2.37. If this Bid is successful, the Trust will have £250,000 remaining of the enabling development money.
- 2.38. The HLF suggested that the Abbot's Tower would be more suited for a Heritage Grant and it was therefore removed from the heritage enterprise bid.
- 2.39. Using the costs prepared on behalf of all parties by the jointly appointed viability expert at the planning inquiry but, indexed linked to Q1 2019; the cost of restoration and conversion works

⁶ The Heritage Lottery Fund require the uplift in the value of the property (completed value– current market value) is included as a cash contribution. This is similar to how English Heritage guidance sets out a conservation deficit calculation and effectively requires the organisation undertaking the project to fund this figure, most likely via a commercial loan against the property.

to Abbot's Tower, accounting for other delivery costs such as external works, landscaping, SAM recording, Professional fees etc is circa £3.15m.

- 2.40. It is hoped that the £400,000 grant previously given to the Sargeant Family by English Heritage for works to the Abbot's Tower can now be reallocated to the Trust. The Trust has written to Historic England to request this.
- 2.41. This would equate to circa £650,000 match funding for the Trust towards the Abbot's Tower Project, plus any additional monies that can be raised by the Trust. The remaining £2.33m would then need to be secured from the HLF and by borrowing against the increased value of the property. Given the heritage significance of the Abbot's Tower, the chances of securing grant funding are good, but it is still a competitive process and not guaranteed.
- 2.42. The experts at the planning inquiry stated that a maximum of £5m could be achieved from grant funding, these three grant applications would raise, if successful, circa £6m.
- 2.43. The Trust is proposing to deliver these projects, taking the role of developer; relying on the extensive development expertise of the Trustees. They will look to reinvest any profit made back into future projects.
- 2.44. Once the delivery of the project is complete and all the buildings on the Council's list have been exhausted; the Trust intends to assist in the delivery and maintenance of other heritage assets on the Estate, including the less significant heritage assets. It will also seek to improve the interpretation and heritage significance of the registered park and gardens, to enhance the learning opportunities that can be delivered.
- 2.45. As shown in the Trust Cashflow the initial restoration to the Abbot's Tower is proposed in years 2 to 4 of the plan and then years 6 to 7 for the phase two Tower restoration, See Appendix D. There is a risk that the Heritage Lottery Fund may not provide the funding for this second phase in such close succession to the initial large grant unless the scheme is performing very well and viewed as a great success. However, the independent statistics that are contained within this report give cause to be optimistic that this can be achieved. Especially as Tendring is a priority area for the Heritage Lottery Fund.

COMMERCIAL FUNDING

- 2.46. When the Conservation Deficit was calculated by jointly appointed BNP Paribas in November 2016, it was assumed that the uplift in value of the property would be used to leverage commercial funding. For example, in Nov 2016 it was assumed that by keeping the Priory as a single managed entity, that that £7.51M would be leveraged against the property, in the form of either equity or commercial loans. If all loans, rather than a mix of equity and loans, it would give a loan to value ratio of 48%.
- 2.47. This Business Plan increases this amount to £7.77m⁷ of commercial funding which is factored into this Business Plan based on grant funding being secured. This includes £5.77m to fund historical repairs and conversion and £2.00m for new works; including Glamping Pods, Guest Suites in the Walled Garden and above the Garages, conversion of the Atcost Barn, and additional conversion costs to make properties suitable for commercial use. This is possible due the positive market value the respective properties will have once the Conservation Deficit is dealt with or because they are new build that will also generate a positive value, against which funding can be secured. The average loan to value assumption is now at 55% compared to 48%.
- 2.48. This Business Plan exhausts grant funding and commercial loans as demonstrated above.
- 2.49. There is one other source of quasi-grant/commercial funding that is being explored with the Council that has not been included in this Business Plan but has the ability to reduce the amount of funding required from enabling development and that is funding from the Council. The government has within legislation P(LBCA)A 1990, s57(3) given local authorities' the power to

⁷ The amount of debt required is directly related to the end value of the property, which has reduced from the BNP 2016 report. However, additional borrowing has been included to bring forward other commercial ventures that add to the value.

offer loans upon such terms and conditions it wishes (s57(4)). Charles Mynors notes in his scholarly tome Listed Buildings, Conservation Areas and Monuments:

- *“The setting up of a programme of loans may be a cost-effective way for an authority to bring about the repair, maintenance and restoration of historic buildings, since the funds can be recycled as the loans are repaid. Experience would tend to suggest, however, that – particularly in a time of low interest rates generally – such a programme will only be attractive if the loans are interest-free (which implies a hidden element of grant-aid), and if bureaucracy is kept to the absolute minimum.”*

2.50. There is an outstanding request with the Council's Head of Planning asking that they clarify their position as to the acceptability of this option.

ENABLING DEVELOPMENT

2.51. The s106 recognises that any remaining deficit that is not supported by grant or commercial funding will be funded by enabling development. This is examined in more detail later.

OPERATION/ ONGOING DEVELOPMENT

2.52. The operating company set up by the Family, working with the Trust, to their mutual benefit will manage the site. The section 106 agreement sets out the way the different parties are to interact.

2.53. 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 work with specialist and established wedding operators to deal with the management and catering of weddings and other functions.

2.54. This will involve the creation of an onsite team managing the weddings, events, holiday accommodation and visitor attraction. It is anticipated that these enterprises will create 24 full time equivalent jobs on site, as well as increased spending in the wider area. See Section 7 for the wider economic public benefits.

2.55. The Profit and Loss Accounts contained in detail in Section 4 show that by Year 5 the operating business will make a profit and by Year 10 this will equate to £660,234. These figures have been used in the valuation of the business for the Conservation Deficit; using the same method as BNP Paribas, used when instructed by all parties. These details are contained in Section 4.

2.56. The operating company will pay a rent for the buildings it occupies. This will be at market values and is expected to be in the range £8–12 per square foot (psf) where properties have residential value and £12–14 psf where they have commercial values.

2.57. Rent will be paid by the operating company to the Trust where they are the leasehold owner and the Family where they retain the buildings in question.

2.58. Due to the size of the Conservation Deficit, the availability of grant funding and the timescales involved, it is envisaged that the Trust will be able to secure funds sufficient to entitle them to a 90-year lease for the following parts of the site, the Tithe Barn, Dairy, Cart Lodge, plus a new build café and play area, which form part of the current Heritage Enterprise bid. They also intend to make grant applications to assist the restoration of Abbot's Tower, various listed walls and the associated car parking as set out in more detail earlier.

2.59. A detailed cashflow for the Trust's operations is provided at Appendix D, this shows that they will be able to service the necessary debts to deliver the above referenced projects. It also allows for super profits of circa £32k per year from year 15 onwards and £1m of additional grant funding in years 15–17. With this ambitious target, it demonstrates that the Trust will be able to deliver the works to those buildings referenced and will, in the long term, be able to undertake £1.16m

of additional works. However, it is highly unlikely that the Trust will be able to fund any further works within the 10 year plan period.

- 2.60. It is expected that the remaining heritage assets will remain in the control of the family, unless the Trust is successful in securing grant funding above the £6.0m now envisaged in the short term.
- 2.61. The Trust also intend to apply for Gift Aid, which may allow them to undertake some additional works. As shown in Appendix D an allowance has been made for £400,000 which is the amount that in theory could be claimed against the £1.2m enabling money.
- 2.62. These figures are an estimate and may change subject to the success of the grant applications and specific requirements of grant funders.
- 2.63. The Trust cashflow has a line of income entitled fund-raising and any smaller grants or donations would be included in that line, as there is the real possibility that smaller grants could be achieved from various other parties.
- 2.64. It is estimated that the Trust will initially receive circa c.£123,454 per annum rent, plus an allowance for inflation, from the Tithe Barn, Diary, Cart Lodge. It is then forecast that an additional £18,000 per annum has been allowed for from year 8 onwards on the assumption that the Abbot's Tower is restored and converted into an exhibition space/viewing platform. It is also assumed that both lease agreements will be subject to 5 yearly rent reviews, which have been based on 2.5% inflation per annum.
- 2.65. The Trust properties have been valued on the same basis as BNP Paribas, based on a successful business operator for the purpose of calculating the Conservation Deficit in 2016. As commercial properties they will have a value in the market place based on their potential rental value. On this basis they therefore have a NPV of £1,360,167, at a 7% discount rate and assuming a 10% contingency.
- 2.66. As referred to above, the Trust will need to secure the uplift in value, equivalent to circa £1,360,167, less any profit they will make on the projects, via commercial borrowing to deliver their projects. The rent received will then be used to pay back this loan over the course of time. The Trust cashflow at Appendix D, assumes that they will borrow £971,926, which will be paid back over 15 years and will be subject to an average interest rate of 5%. This is equivalent to £121k per annum. Any borrowing will need to be approved the Charity Commission.
- 2.67. If the project goes exceptionally well and audited profits made by the operating company, on those activities identified in the accompanying cashflow at Appendix E, are more than 30% greater than projected within the timeframes; then it is proposed that the profits that are in excess of this amount are deemed super profits. The Trust will be entitled to a 30% share of these super profits, paid annually in arrears, as a bonus payment. This offer is over and above that required by the s106 agreement and is a goodwill gesture that the Family is prepared to make and honour on the basis that all parties work together collaboratively, without unnecessary delay to find a solution that delivers restoration of the heritage assets by September 2026. As shown by the Trust Cashflow at Appendix D, an allowance for super profits has been made and it is assumed that the Trust will receive £32,000 of super profits, plus inflation, from year 15 (2034) onwards.

3. PRIORITY ACTION PLAN

WEDDING & EVENTS VENUE

PRIMARY ACTIONS

3.1. It is agreed that optimum wedding offering will provide:

- a minimum of 40 onsite guest suites;
- a function space within the Tithe Barn that can seat up to 160 guests; and
- a function space within the Abbot's Lodgings that can be used for Wedding Ceremonies and smaller wedding receptions.

40 Guest Suites

3.2. Within, the buildings that already have funding secured for their restoration, there is potential to create the following number of guest suites:

- 11 in the Gatehouse
- 2 in Tithe Cottage
- 3 Bailiff's Cottage
- 1 in the Toll Barn
- 3 within Darcy House West Wing

3.3. In total this would create 20 guest suites. An additional 20 suites are therefore required elsewhere. The Council's preference is to accommodate these in the remaining historic buildings, if possible. However, they are currently without funding unless enabling development could be brought forward to close the gap.

3.4. Timing is critical for the various reasons set out earlier, as the sooner profits can flow, the quicker the spiral of decay can be reversed. To accelerate and provide greater certainty to the delivery of the wedding and events venue, it is therefore planned to make use of the Slip Cottages consent either in the short or long term. This is because they are already fundable and it is anticipated that commercial funding can be secured for the construction of new build guest suites; enabling them to be delivered independently from the existing heritage buildings that still have a Conservation Deficit, bringing their delivery earlier in the programme.

3.5. It is agreed that reconfiguring the consented Slip Cottages has the potential to provide some of the required guest accommodation in a sensitive way, which could provide 8 self-catered cottages, providing 16 guest suites in total.

3.6. There is potential to create 4 self-catered apartments above the consented garage block to the west of the Darcy House. This would provide the minimum target of 40 suites.

3.7. The Walled Garden also has potential to provide further accommodation in the form of Bothy style cottages. This could deliver 3 cottages, providing 4 guest suites in total.

3.8. All or some of these units can revert to residential or other uses when the funding for the heritage assets has been secured and listed building consent is granted.

3.9. Once funding is secured it is proposed that the remaining historic buildings will be restored and converted to provide the following accommodation:

- Darcy East 7 Guest Suites;
- Darcy South 3 Guest Suites;
- West Barn 4 Guest Suites;
- Brew House 2 Guest Suites;

- Total 17 Guest Suites.

Tithe Barn Function Space

- 3.10. The restoration and conversion of the Tithe Barn is essential to deliver the wedding venue and has the potential to operate in isolation; if other elements cannot be brought forward. A Heritage Enterprise Bid has been submitted to secure its restoration.

Darcy House Function Space

- 3.11. Funding has already been secured to complete the repairs to the Abbot's Lodgings, but funding is still required for its conversion and fit out. Although the Wedding Venue could be opened without this element it wouldn't be ideal. It is therefore considered that securing funding to complete this work is a priority.

SECONDARY ACTIONS

- 3.12. The 1920s Gazebo and Chapel are considered to be beneficial elements that will help the wedding venue succeed but are not considered essential at the point of opening. These can therefore be added to the offering as funding is secured over time and to broaden the appeal.
- 3.13. Darcy House South/East and the West Range to be converted to wedding guest accommodation when funding is available. In the meantime, the South and West Range will be occupied by the family until their homes within the Park are ready. Following which, subject to funding, the remainder of Darcy House will become available as outlined above.
- 3.14. As Savills set out *"a range of activities such as cookery demonstrations and spa treatments in the house, clay pigeon shooting and falconry in the park and visits to other local historic houses, gardens and attractions."* These have not been included in the financial assessment because they will only add minimal value, but they are considered to be beneficial for marketing a broad range of activities.

VISITOR ATTRACTION

PRIMARY ACTIONS

- 3.15. It is proposed that the Visitor Attraction will centre around the Tithe Barn, Diary and Cart Lodge. With a new build Café and Playground to their West. A revised Heritage Enterprise Bid will be submitted shortly submitted to deliver these buildings.
- 3.16. Whilst these would be standalone elements, it is agreed with the Council that the existing Atcost Barn would make a valuable addition to the offer, which has the potential to become a play barn with soft play facilities. This is currently unfunded but should be able to gain commercial funding, a cost for this has been allowed for in the operational cashflow of the business and demonstrates that the business would be able to deliver this, subject to securing finance.

SECONDARY ACTIONS

- 3.17. The Abbot's Tower exhibition space and viewing platform will add a valuable, but not essential, addition to the Visitor Attraction that will draw people to the Priory and generate additional revenue. It should therefore be delivered as soon as funding can be secured.

HOLIDAY HOMES/ BED & BREAKFAST (INC GLAMPING)

- 3.18. Savills has advised that because Weddings and Events are generally booked well in advance, there is the potential to have a further business income from a holiday home business, renting cottages or guest suites when not in use for weddings.
- 3.19. Further they have recommended a Glamping offering be established. Based on the advice from Savills the Glamping element of the business is considered to be self-sufficient and will be commercially viable in its own right. It can therefore theoretically be delivered at any time in the programme and because of the potential income generated, there is an argument for it to be

brought forward sooner rather than later. Consideration to its location will need to be given and how it fits with the restoration of the Park and Masterplan for the entire Estate.

FARM STORAGE

- 3.20. The conversion and restoration of the Tithe Barn, Cart Lodge and Dairy, plus any redevelopment of the surrounding area, will necessitate the relocation of the farm operations prior to work commencing. Therefore, the construction of new farm storage is required before restoration works to these buildings is commenced.
- 3.21. A suitable location needs to be identified and agreed between the stakeholders as a priority.

Private & Confidential

4. THE RELATIONSHIP BETWEEN CAPITAL COST, PROFIT AND LOSS, CONSERVATION DEFICIT, CASHFLOW AND VALUATION

- 4.1. The following sections cover each of these items in detail. The Capital Costs, wherever possible, are those used by BNP Paribas as part of their joint appointment by The Family, Tendring District Council and Historic England.
- 4.2. The operating business profit and loss of the respective activities is covered in detail in section 4. The incomes are those deemed appropriate by Savills and/or Colliers. These are a product of the costs and the phasing that is achievable. The phasing is covered in greater detail at section 4. The existing Conservation Deficit is the biggest obstacle to the delivery of the project. It is worked out in accordance with Historic England Enabling Development Guidance 2008, using the figures agreed at the Inquiry in November 2016 adjusted by appropriate independent inflation indices. The Conservation Deficit is considered in detail at section 4. The Cashflow at appendix E is generated using these costs and incomes by the phasing that is practical. The logic behind the phasing is covered in more detail in section 4. The property valuation used in the Conservation Deficit is calculated using the cash generated from the business operations, as set out in the Cashflow, over a 15-year period; using a Net Present Value. This was the method agreed with all parties at the last inquiry. All of the elements are inter-dependent within this business valuation method; therefore, where changes to the profit will affect the Conservation Deficit, they will in turn affect the costs and the profit. As such, each element needs to be considered at the same time.
- 4.3. The figures at section 4 are a product of this detailed work and clearly demonstrate that, to restore the remaining heritage assets and prevent further deterioration, the business activities and the funds generated via the Trust, including available commercial loans cannot achieve the Vision. Even with some potential modifications and a better economic market, the remaining funding gap is too large at £20.9m to credibly believe that either commercial loans or grants will bridge the majority of the shortfall. This is setting aside the current delays and risks associated with the grant funding route. Further enabling development **will** most definitely be required to meet the funding gap and the time constraints, as set out by the Council's Planning Committee Resolution, in September 2016; which would be for those assets within the schedule to be restored and back in beneficial use by 2026.
- 4.4. The Family is already in control of several suitable enabling development sites and are also in the process of securing further sites within the district, to assist with restoring the heritage assets and bridging this gap. TDC will be able to consider each of these proposals on their individual merit, but given the applicants' experience of dealing with sites of this type it is considered they are likely to be more certain and quicker than grant funding and that this route coupled with the Trust and business approach advocated above is the only viable solution.

CAPITAL COSTS

- 4.5. The BNP Paribas November 2016 Conservation Deficit calculation was produced under the combined instructions of the Council, Historic England and the Family for the purposes of the November 2016 planning inquiry. This had been a contentious area and so all parties agreed a joint instruction to pragmatically move things forward. These numbers have been used as the base for this Business Plan but with adjustments using the third-party independent inflation figures such as the BCIS and UK House Price Index. This is to avoid further delays and conflict, which have historically slowed the project's progress.
- 4.6. According to the Land Registry, UK House Price Index for existing properties has increased from November 2016 to December 2018 from 117.70 to 135.3, a 13% increase, see Appendix F.
- 4.7. The BCIS All-in TPI Index 01 March 2019 shows an increase in build costs from 4Q 2016 to 1Q 2019 from 283 to 322, see appendix A equating to a 12% increase. This also forecasts over the

next 5 years to 2023 that build cost will rise c. 38% so and average of 7.6% per annum. This alone would add ` £2m plus per annum in extra build and professional fees

- 4.8. The BNP Paribas report included cost estimates for the restoration of all the Precinct Buildings. These followed the McBains Cooper Cost Plan⁸, but were adjusted to take into account the comments from Historic England and Tendring District Council and their respective experts. These adjusted figures have been used as the basis for majority of Business Plan costs included, adjusted for inflation. The only exceptions are some figures that have been included following engagement between Colliers and/or Savills with regard the Leisure and Tourism charges and costs. Savills have confirmed, via their letter dated 24 September at Appendix G, that they consider the operating costs and charge out rates set out within their November 2017 report, at Appendix H, to remain accurate.
- 4.9. BNP Paribas allowed a further £1.5m for the conversion of the Tithe Barn and Cart Lodge to a function/visitor centre⁹. This figure was estimated by BNP based on the costs previously allowed for a similar conversion in Darcy House. However, as the Darcy House is a more ornate structure it is considered that BNP overestimated the costs and they were therefore discounted by £300,000 for the purpose of the submitted HLF bid. Subject to this adjustment, it is considered that the amounts allowed for in the BNP Report provide an accurate projection of costs, subject to index linking, for the restoration and conversion of the Tithe Barn complex, to facilitate the uses envisaged by the agreed Vision.
- 4.10. It should be noted that given the slight shift since 2016 and the agreed Vision for the wedding and conference events anchored facility, there will be additional works required to the Gatehouse, Darcy House West and Slip Cottages. For example, to make them compliant with their altered usage, which is now commercial, to enable their use as guest accommodation rather than the consented and funded use. An additional 10% of the conversion costs for the Darcy House and Gatehouse and 5% for the Bailiffs Cottage have been allowed for. This is set out below.
- 4.11. The costs for new structures, such as the new guest suites, new café, conversion of the Atcost Barn, guest suites above the garages, playground and the suites in the walled garden were not accounted for in the BNP figures.
- 4.12. The cost of the new café and playground are included in the Trust's Heritage Enterprise bid and the other costs were factored into the financial analysis, as a capital cost of starting the business, and are summarised as follows:

Wedding Venue Construction Costs	Sqft	£/sqft	Cost
Darcy West add conversion costs	@	10%	£41,278
Gatehouse add conversion costs	@	1%	£49,347
Bailiff's Cottage additional fit out costs	@	5%	£5,775
Suites in the walled garden Capital costs	1,755	£170	£298,268
Suits above garage block	2,958	£170	502,860
Spa Construction Costs	990	£200	£198,000
Spa Equipment			£50,000
			£1,260,081
Professional Fees	10%		£114,553
			£1,260,081

⁸ BNP Paribas Conservation Deficit Report November 2016, Appendix 3.

⁹ BNP Paribas Conservation Deficit Report November 2016, para 3.1.

Wedding Venue Construction Costs	Sqft	£/sqft	Cost
Interest	8%	1 Years ¹⁰	£100,806
			£1,360,887

Visitor Attraction Costs	Sqft	£/sqft	Cost
Conversion of Atcost Barn to Play Barn	2,895	£50	£144,750
Soft Play Equipment			£50,000
Professional Fees	10%		£19,475
Sub-total			£214,225
Interest	8%	1.5Years	£25,707
Total Costs			£239,932

4.13. The build costs, professional fees and interest have been based on City & Country's recent market experience and are in line with BCIS projections.

4.14. Likewise, the cost of the Glamping pods has been factored into the value of that part of the business and is summarised below:

Glamping Costs	Quantity	Amount	Cost
Construction	6	£20,000	£120,000
Infrastructure			£200,000
Sub-total			£320,000
Professional Fees	10%		£32,000
Total Construction cost (inc prof fees)			£352,000
Interest	8%	1.5 years	£42,240
Total Cost			£394,240

PHASING

4.15. Due to the lack of funding it is not possible to commit to restore all the heritage assets within the historic precinct at once. Therefore, it is essential that a workable phasing scheme is devised. An essential and primary strength of this Business Plan is that it delivers the agreed Vision in phases, which can bring heritage assets back into long-term viable use as funding is secured.

4.16. Funding has already been secured, via enabling development, to restore the Bailiffs Cottage, Toll Barn, Darcy West, Abbot's Lodgings (restoration and repair only), the Darcy House East Wing roof and the Gatehouse in its entirety. These works are underway with the Bailiff's Cottage and Toll

¹⁰ Interest period reflects timescales for the nature of the respective works and the proposed phasing.

Barn complete and in residential use. Once the Gatehouse and Darcy House West are completed, they will also be in residential use for the short term, until the commercial ventures become operational.

- 4.17. Work to Darcy House West is scheduled to be finished late 2018/early 2019 and the Gatehouse towards the end of 2019.
- 4.18. It is assumed that the revised first-round bid will be successful in December 2019. The HLF second round bid process takes on average 18 months. Due to the extensive work already completed, it is hoped that this can be fast tracked to 6/9 months. It is assumed that the second round bid is successful and that it takes a further 6/9 months to produce the construction tender package and to tender the works; allowing for a further 3 month period for contractors to mobilise before construction works start. This is 15 to 21 month period. For these purposes 18 months has been allowed.
- 4.19. The restoration and conversion work to the Tithe Barn, Dairy and Cart Lodge will realistically take 18 months. Therefore, it is a minimum of 4 years until the Wedding Venue and Visitor Attraction will open and this assumes that there is no period for testing and training of staff in the new facility before it is opened officially to the public. The Trust aim to submit their revised HLF Bid Autumn/Winter 2019; but a decision is not expected until late 2020 therefore, the Wedding Venue and Visitor Attraction is likely, at best, to become operational early 2023. At which point the intention is that those properties in residential use will become guest accommodation associated with the Wedding Venue.
- 4.20. Tendring District Council's priority list of heritage assets (as covered previously) are shown as Phase 1 and 2 on the schedule below. Those in Phase 1 are considered key to the delivery of the core business elements and essential to be delivered to allow a viable business opening to occur. Those in Phase 2 are less time sensitive but ideally, they would be brought forward before the business activities and any delay from the assumptions made within the cashflow will affect viability. This list is set out below and is colour coded to show their funding position.

PHASING SCHEDULE:

- *Green: Funding already secured via consented enabling development*
- *Orange: To be funded by Trust, subject to securing grant funding*
- *Red: Funding not yet secured.*

Works	Phase	Status
Darcy House West	1a	Work ongoing due to complete late 2018/early 2019
Darcy House East Wing Roof	1a	Work ongoing due to complete late 2019/early 2020
Darcy House South & East	2	
River House Walls	2	
Chapel	2	
Abbot's Lodgings Historic Asset repair	1a	Works ongoing due to be complete late 2019
Abbot's Lodgings internal fit out.	1b	

Works	Phase	Status
Abbot's Tower	2	The Trust intends to approach Historic England with a view to getting the grant previously secured by the Sargeant Family for circa £400,000 transferred to them. Further, they intend to make a Heritage Grant bid once the Heritage Lottery Fund has restructured, £250,000 of the enabling development has been set allocated to this project for use as match funding.
The Gatehouse	1a	Works ongoing, due to complete in 2019.
The Tithe Barn, Diary and Cart Shed	1a	Heritage Enterprise Round 1 bid submitted by the Trust 16 August 2018, decision expected December 2018.
The Brew House	2	
West Barn	2	
Bailiffs Cottage	1a	Works complete and back in beneficial use.
Boundary Wall- West Wall: Crenellated Wall South of Gatehouse	1b	The Heritage Enterprise Round 1 bid includes £100,000 for essential repairs to this section of wall to make it safe. However, an additional £731,592 is required to undertake the full restoration.

- 4.21. Due to the ongoing restoration works within the Park, the delivery of the measured walks will also need to be phased. It is therefore proposed that measured walk as detailed on the plan at Appendix B will be completed by the following dates:
- Measured Walk Route 1 (Blue) 2023
 - Measured Walk Route 2 (Red) 2024
 - Measured Walk Route 3 (Green) 2025
- 4.22. Under Section 57 of the Planning (Listed Buildings and Conservation Areas) Act 1990 local authorities are able to give commercial loans at a reduced rate, to assist with reducing the Conservation Deficit, see legislation at Appendix I. Therefore, Tendring District Council could provide a loan at a reduced rate or even zero to assist. As part of this business plan process Tendring District Council were invited to make a commitment on this source of funding but to date that request has not been taken up. If this was forthcoming it would not only assist with the project and reduce the need for enabling development. However, it is believed to be unlikely and if it was it would not be for a long period.
- 4.23. This leaves enabling development as the only realistically remaining solution for the remaining funding gap. It is considered in the current circumstances that this is the most likely and certain source of further funds to critical earlier and later phases.

- 4.24. As such, the Sargeant Family are working on bringing forward applications on sites within their control but away from the Priory Estate's most sensitive areas or those covered by the s106 restrictions that the Council imposed on the West Field and Park land areas of the Estate. Ensuring maximum heritage benefits and minimal harm. An application has already been submitted on land at Foots Farm, Clacton-on-Sea, that if approved would secure circa £1.76m of further funding. If granted it is proposed that this funding be allocated to the Abbot's Lodgings, Crenellated Wall and essential roof repairs to the Darcy House. This will secure the remaining funds required for Phase 1 and prevent further deterioration to the Darcy House whilst additional funding solutions are secured.
- 4.25. The intention is to then bring forward further suitable sites for enabling development to fund the works required to complete Phase 2. Given the timescales associated with the Grant application it is hoped that enabling development can be brought forward in parallel to fund these remaining elements. Allowing work to follow straight on from that already occurring on site, to ensure constancy of works for sub-contractors that will ensure efficient delivery. This will also allow for long term educational and traditional building skills training courses and apprenticeships opportunities to be planned and established.
- 4.26. A simple Phasing Plan is provided at Appendix C.

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PROFIT AND LOSS

4.27. The table below shows the resulting Operating Profit and Loss of the estimates detailed above. It shows a moderate loss in Years 1–4, while construction work is underway and in the first operational year. Followed by a profit of £101,840 in Year 5, rising to £896,979 in Year 11.

	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11
Operating Profit												
Weddings & Events	£0	-£24,038	-£24,038	-£90,504	-£146,670	£27,480	£134,857	£209,120	£307,998	£381,031	£400,235	£424,733
Bed & Breakfast	£0	-£12,925	-£12,925	-£33,765	£61,660	£109,094	£103,560	£105,095	£101,451	£69,885	£80,592	£91,532
Glamping	£0	£0	-£49,034	£24,111	£40,957	£43,424	£60,207	£60,910	£61,593	£62,247	£62,895	£63,508
Visitor Centre	£0	£0	-£5,656	-£5,656	-£199,767	-£199,927	-£144,032	-£71,991	£76,313	£76,740	£116,511	£125,466
Trust Rent	£0	£0	£0	£0	£123,454	£123,454	£123,454	£123,454	£141,454	£157,677	£157,677	£157,677
TOTAL	£0	-£36,962	-£91,652	-£105,814	-£243,821	-£19,929	£154,592	£303,133	£547,356	£589,903	£660,234	£705,239

(Profit and loss cashflow)

4.28. It is acknowledged that the proposal requires significant outgoings in the first two of years, to allow for the construction of the new build elements and the resulting combined cashflow is shown below:

	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11
Combined Cashflows including Construction Costs for NPV calc.												
Weddings & Events	£0	-£433,768	-£433,768	-£90,504	-£146,670	£27,480	£134,857	£209,120	£307,998	£381,031	£400,235	£424,733
Bed & Breakfast	£0	-£233,235	-£233,235	-£83,476	£61,660	£109,094	£103,560	£105,095	£101,451	£69,885	£80,592	£91,532
Glamping	£0	£0	-£401,034	£24,111	£40,957	£43,424	£60,207	£60,910	£61,593	£62,247	£62,895	£63,508
Visitor Centre	£0	£0	-£77,064	-£77,064	-£271,176	-£199,927	-£144,032	-£71,991	£76,313	£76,740	£116,511	£125,466
Trust Rent @90%	£0	£0	£0	£0	£111,109	£111,109	£111,109	£111,109	£127,309	£141,909	£141,909	£141,909
TOTAL	£0	-£667,003	-£1,145,101	-£226,933	-£315,230	-£19,929	£154,592	£303,133	£547,356	£589,903	£660,234	£705,239

(Combined Cashflow)

VALUATION

NET PRESENT VALUE (NPV) OF BUSINESS USES

- 4.29. The above referenced Combined Cashflow, results in a Net Present Value of the business proposals, of £5,107,332m @ 7% discount rate¹¹ and £2,647,379m @ a 10% discount rate, as set out below.

NPV Calculation @	7%	10%
Weddings & Events	£2,425,514	£1,250,267
Bed & Breakfast	£480,509	£205,665
Glamping	£288,043	£112,308
Visitor Centre	£553,099	£178,479
Trust Rent	£1,360,167	£900,659
TOTAL	£5,107,332	£2,647,379

RESIDENTIAL VALUES

- 4.30. BNP Paribas valued the Gardeners Cottage at £266,400 in November 2016, which when indexed linked gives a value of £306,236 March 2019.
- 4.31. The Business Plan Cashflow assumes that the family's operator is paying a residential rent on the Slip Cottages in during its usage. Therefore, once the suites in the Darcy House and West Range are complete and these are no longer required, they will realise a residential value. BNP Paribas November 2016 valued the 8 Cottages at £2,501,730, which when indexed linked gives a value of £2,875,820.
- 4.32. Total Residential Value August 2018 £3,182,056.

AGRICULTURAL LAND (INCLUDING LAKES AND WOODLAND)

- 4.33. BNP Paribas valued the agricultural land at £2,356,380 (£14,820 per hectare), November 2016. Knight Frank Farmland Index Q2 2018, at Appendix J, suggests the market for agricultural land has softened slightly. However, to avoid debate and because the figures used by BNP are considered to still be representative, they have been used.
- 4.34. Five hectares of agricultural land have been used as part of the residential development on the West Field and within the Park. As such, this area has been removed the value. Given a current value of £2,282,280.

COMPLETED VALUE

Completed Value of Scheme	Aug-18
Business Operations	£5,107,332
Residential Property	£3,182,056
Agricultural Land	£2,282,280
Total	£10,571,668

CONSERVATION DEFICIT

- 4.35. The Conservation Deficit was calculated by BNP Paribas in November 2016 to be £33,701,570. Subsequently enabling development was consented on the West Field and within the Park that secures the restoration and conversion of the Darcy West Wing and Gatehouse in full. In the intervening period of time external factors such as build cost inflation, changes in sales values, holding costs and deterioration mean that the Conservation Deficit has changed. The Conservation Deficit and the Business Plan cashflow are two critical items required to recognise the optimum delivery strategy of the project. It is therefore necessary to recalculate the

¹¹ The discount rate refers to the interest rate used in discounted cash flow analysis to determine the present value of future cash flows

Conservation Deficit to reflect the current situation in order to devise a robust and deliverable funding strategy.

- 4.36. The assets have been deteriorating over the period and in order to avoid a protracted debate this a 2% per annum deterioration has been applied, which is what was agreed at the November 2016 inquiry.
- 4.37. The Conservation Deficit has been updated, taking account of the works that have now been completed, the change in sales values and the fact that the restored or due to be restored buildings that have been funded by the consented enabling development, have long term viable use.
- 4.38. Works relating the Bailiff's Cottage, Toll Barn, Darcy West Wing and Gatehouse have been removed.
- 4.39. It has been assumed that grant funding is successfully secured for the restoration of the Tithe Barn, Cart Lodge, Dairy and Abbot's Tower as contained within this Business Plan.
- 4.40. The table on the next page shows the Conservation Deficit as calculated by BNP Paribas in November 2016, updated to March 2019 with and without granted funding, based on the value generated by the preferred option.

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CONSERVATION DEFICIT UPDATE 2018

Income/cost heading	A BNP- Nov 2016	B BNP- Nov 2016 (Ind August 2018)	C Agreed Vision (August 2018) @7%NPV	D Agreed Vision August 2018 @7%NPV (HLF Grant successful)	Notes
Market value of property	£2,855,880	£2,930,572	£2,588,516	£2,588,516	C&D- Value of 7 Mill Street removed as part of the West Field and Park Scheme. C&D- £2,267,460 Farm Land, development areas for West Field and Park removed. B,C&D- £293,108 Gardeners Cottage August 2018 B- £256,469 7 Mill Street August 2018
Stamp duty on above (5%)	£142,794	£146,529	£129,426	£129,426	
Legal fees on acquisition (1%)	£28,559	£29,306	£25,885	£25,885	
Holding costs	£2,892,177	£2,892,177	£2,809,636	£2,809,636	Reduced by £532,925 funded by West Field & Park ED. Holding costs £19,582 per month, November 2016–October 2018. Total £450,386
Total Site and Property costs	£5,919,410	£5,998,583	£5,553,463	£5,553,463	
Survey, research and analysis	£1,406,052	£1,599,819	£1,305,028	£1,305,028	Costs incurred to date less those paid for by West Field & Park ED.
Historic asset repair	£13,579,297	£15,450,649	£7,358,165	£4,974,259	C-Darcy West, Gatehouse and Darcy East roof removed. D- Abbott's Tower, Tithe Barn, Dairy and Cart Lodge removed.
Historic asset conversion and refurbishment	£5,256,173	£5,980,522	£3,940,134	£1,957,789	C-Darcy West, Gatehouse and Darcy East roof removed. D- Abbott's Tower, Tithe Barn, Dairy and Cart Lodge removed.
External works, landscaping, utilities	£7,428,761	£8,452,513	£6,895,011	£6,708,065	C-West Field & Park funded removed. D- Trust funded removed.
SAM recording & monitoring	£120,000	£136,537	£65,024	£43,957	D-Reduced % of Historic repairs to be undertaken by The Trust.
Landscaping costs	£0	£0	£0		
Professional fees (15%)	£3,939,635	£4,743,006	£2,728,997	£2,248,365	
Contingency on design costs (20%)	£0	£0	£0		
Irrecoverable VAT (20% (2014) and various rates (2016))	£1,817,737	£2,023,276	£1,341,073	£1,341,073	C-Darcy West, Gatehouse and Darcy East roof removed D- Trust Properties have no VAT liability.
Total design and construction costs	£33,547,655	£38,386,322	£23,633,433	£18,578,537	
Licenses	£150,000	£150,000	£122,360	£82,718	C- Darcy West, Gatehouse and Darcy East roof removed D- Reduced % of Historic repairs to be undertaken by The Trust.
Interest (estimate)	£3,000,000	£3,000,000	£1,859,789	£1,661,386.17	9% of Total Design/ Construction Costs
Letting and sales costs	£0	£0	£0		
Short term income and grants	-£1,401,399	-£1,401,399	-£1,194,170	-£794,170	D- HE £400k grant reallocated to the Trust.
Total costs	£41,215,666	£46,133,506	£29,974,875	£25,081,933	
Developer's profit – 20% of costs	£8,243,133	£9,226,701	£5,994,975	£5,016,387	
Total net costs	£49,458,799	£55,360,207	£35,969,850	£30,098,320	
Less value of completed scheme					
Weddings & Events	-£12,699,665	-£12,699,665	-£2,425,514	-£2,425,514	A&B- includes B&B, Glamping and Visitor Centre value.
Bed & Breakfast			-£480,509	-£480,509	
Glamping			-£288,043	-£288,043	
Visitor Centre			-£553,099	-£553,099	
Additional Business Value			-£1,360,167		C- Business Value will increase if the Grant application is unsuccessful because the business operation will not be paying a rent on the Trust Properties.
Resi Property	-£266,400	-£293,108	-£3,182,056	-£3,182,056	B- £293,108 Gardeners Cottage index linked. C&D- Gardeners Cottage plus residential value of the Slip Cottages released when other Guest Accommodation within Darcy House and West Range is completed.
Nun's Hall and Shell House	-£434,866	-£478,463			C&D-Nun's Hall and Shell House part of West Field and Park ED.
Agricultural land	-£2,366,380	-£2,356,380	-£2,282,280	-£2,282,280	C&D- Farm Land, development areas for West Field & Park removed.
Trust Money			-£1,200,000		D- Trust Money as spent by the Trust on respective projects.
Total Value Completed scheme	-£15,757,311	-£15,827,616	-£11,771,668	-£9,211,501	
CONSERVATION DEFICIT	£33,701,488	£39,532,590	£24,198,182	£20,886,819	

- 4.41. As shown in the table above, when taking account of the changing factors between the November 2016 Conservation Deficit and now, the resulting Conservation Deficit, allowing for the delivery of the Business Plan and successful grant applications is £20,886,819 (7% NPV). However, should the Trust not be successful in securing grant funding this figure would be circa £24,198,182. The Conservation Deficit will therefore be £3.3m larger if grant funding is *not* secured. This amount is different to the £6.1M figure reported earlier, and this is due to the different regimes that Historic England and the Heritage Lottery Fund operate. For instance, Historic England calculation does not recognise the educational and other set up costs associated with the grant funding. Also the Trust have elected to make a smaller profit on the Tithe Barn, Dairy and Cart Lodge as this is deemed to be a more certain source of funding which therefore does not require the same profit margins as a speculative scheme. Further, the business value is increase by £1.58m because the operating company won't need to pay the Trust rent.
- 4.42. BNP in November 2016 calculated the deficit at £33.7m, this figure adjusted purely for inflation would today be £39.5m.
- 4.43. Build cost inflation and rising house prices, are the main factors causing the difference in the deficit. Build cost inflation is, on its own, responsible for in excess of £4m increase in the delivery costs. Both these facts demonstrate the importance of delivering a proposal in a timely manner because with every delay the scale of the issue only increases.
- 4.44. The table below shows the Conservation Deficit (based on Grant funding being successful) specifically relating to the buildings identified within the S106, that need to be addressed within a period of 10 years. Those heritage assets are coloured as follows:
- Phase 1
 - Phase 2

Building	Conservation Deficit (successful grant)
Darcy House West	£0
Abbotts Lodgings internal fit out	£457,960
Darcy House South & East	£9,786,521
The Gatehouse	£0
Abbot's Tower	£0
Chapel	£3,026,965
Rivers Wall	£841,909
Brewhouse	£903,290
West Barn	£3,811,611
Tithe Barn	£0
Cart Lodge	£0
Dairy	£0
Rose Garden Walls	£1,153,810
Northern section of wall (with gate and windows) on the west side of the Bury	£904,752

Building	Conservation Deficit (successful grant)
Total	£20,886,818

CASHFLOW

- 4.45. The detailed cashflow is in Appendix E along with the key assumptions regarding revenues and costs for each business are set out at Appendices M and O. The milestones are set out in the table below:

Phase	Conservation Deficit	Funding Secured	Timescales
Phase 1	£17.2m	£10.8m	2018-2023
Phase 2	£21.1m	£0.35m	2019-2026

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5. FUNDING

5.1. The detail of funding for the various phases is set out in the table below:

Phase 1 Funding Mix (To open the venue in earnest):		
Source	Amount	Comments
Consented Enabling Development	£9,810,000	Total raised by Wellwick, Park and West Field, which has secured works to Bailiffs Cottage, Darcy West, Abbot's Lodging (repair only), Darcy East roof and Gatehouse (complete)
Trust Money	£950,000	Portion of the £1.2m secured for the Trust via West Field & Park Enabling Development and allocated to the Tithe Barn, Dairy and Cart Lodge project.
Bank loans (commercial funding)	£1,995,059	£2.0m for new works; including Glamping Pods, Guest Suites in the Walled Garden & above the Garages, conversion of the Atcost Barn, and additional conversion costs to make properties suitable for commercial use.
Grants from Historic England, HE & others	£3,120,879	£2.97 HLF bid already submitted; plus £150,000 of fund raising by the Trust including smaller Grant applications to be made.
Additional Enabling Development (Abbot's Lodgings & Crenellated Wall)	£1,362,712	Abbot's Lodgings (internal fit out)- £457,960 Remainder of Crenellated Wall- £904,752
Total:	£17,238,650	

5.2. The only funding that is secured at present is for the Consented Enabling Development. The commercial loans included above will require the Heritage Lottery Fund funding to be secured, in order to demonstrate the deliverability of the wedding venue; before banks or investors will agree to loans. On this basis, the amounts allowed for are considered to be realistic and appropriate in the current market.

5.3. As a reminder, once Phase 1, with its Heritage Lottery Fund and other grant funding, is complete this will allow the initial wedding and events business and the Visitor Attraction to open.

5.4. Phase 2 is the list that completes the repairs and reuse of the assets that the Tendring District Council planning committee resolved in September 2016.

Phase 2 Funding Mix (to complete the Council's list of heritage assets)		
Source	Amount	Comments
Trust Money	£250,000	Remainder of £1.2m secured by Enabling Development

Phase 2 Funding Mix (to complete the Council's list of heritage assets)		
Grants from HLF, HE & others (Abbot's Tower)	£2,925,065	£400,000 Grant from Historic England. Already allocated to the Sargeant Family, the Trust are to apply for it to be transferred. The Trust are seeking an increase to cover additional costs and to improve the support for the Trust's aims. (the exact amount for Grant from the HLF will be dependent on the grant scheme requirements)
Longer Term Grants	£1,000,000	With a proven track record there is a possibility that the Trust will be able to secure further grants from various organisations that could contribute to works later on in the plan period. £1,000,000 is considered an optimistic but achievable figure.
Super Profits	£160,000	As explained above if the business makes excess profits 'Super Profits' % of these will be passed on to the Trust. The cashflow is based on the work done by Savills and Colliers and it is considered an accurate forecast. Therefore, only a modest amount has been allowed for potential 'super profits.
Gift Aid	£400,000	The Trust are hoping to secure Gift Aid against the £1,2m they have already secured from Enabling Development.
Additional Enabling Development	£16,401,754	Total cost of delivering phase 2 less the targeted grant amounts.
Total	£21,136,819	

- 5.5. It is considered that this will most likely exhaust any grant funding available in the short to medium term. It is therefore likely that the remaining money for the items listed on the Council's priority list will need to be funded via additional Enabling Development.
- 5.6. The Enabling Development could be drip fed into the project but as has already been evidenced on this project, delays lead to deterioration, increased costs and potentially negative market changes; which often erode the positive steps taken. The strategy that is advocated in this report therefore is to agree a comprehensive scheme of Enabling Development that delivers a firm commitment to fund all of Phase 2 within the next 12-24 months.

6. DELIVERY & RISKS

- 6.1. The sheer scale of The Priory and the costs involved, with a Conservation Deficit of circa £24.2m (assuming no grant), means that the Trust is very unlikely to be able to deliver the complete restoration of all of the buildings identified in the Council's 10 year priority listing and certainly not in a timescale that will prevent the Conservation Deficit increasing further. As referred to above the BCIS are forecasting a 38% increase in build costs over the 5 years from 2018 to 2023.
- 6.2. To put in context the competition for grant funding the HLF has awarded £7.9billion to over 43,000 projects since 1994, which is an average of £183,720 per project.
- 6.3. The risks due to the scale, complexity and diversity of the businesses that need to be set up and developed is beyond the capabilities of most experienced development companies. A unique skill set is therefore required and ideally a proven track record of delivering complex schemes of this nature. Any organisation without this is highly unlikely to be able to secure the required funding.
- 6.4. It is therefore proposed that the Sargeant Family, who already own the entire Estate, and have an extensive track record both personally and also through their other business interests; take the lead as development, property and business managers bringing forward the solutions that the project requires over the longer period. City & Country is recognised to be one of the leading specialist heritage developers, with a portfolio of previous projects including sites of a similar scale and complexity to St Osyth Priory, where the restoration and long-term conservation has been achieved.
- 6.5. Whilst the Trust will play an integral role in the delivery of the Vision and securing Grant Funding, given the scale of the problems, the inherent risks with the project and the need for speed; all possible assistance from Tendring District Council, Historic England, Essex County Council and the local community should be harnessed and encouraged. The Family is committed to managing and dealing with the risks that the project faces, which have been set out in the table below.

RISK ANALYSIS

The following lists the potential risk in the RHS column and the Probability and its impact to the Business plan in the centre column. The Probability/Impact column is a combination of both the likelihood of the risk occurring and its impact on the project because some risks could be high and the impact overall small, but others could be low risk but their impact high. The combined affect is colour coded, as set out in the key below, with the high grade being the dominate colour where the probability and impact are believed to straddle two categories so as to be precautionary.

Low	Medium	High
Risk	Probability	Amelioration
The Trust is not successful in securing Heritage Enterprise Grant from the HLF for the restoration of the Tithe Barn Complex	Medium - High. HLF funding is very competitive and the HLF are currently restructuring.	Restored buildings can be used for residential until funding can be secured either from a second bid or enabling development.
The economy changes for the worse	Medium - High. House Price Inflation is currently out stripping wage increases and is unsustainable. Plus, uncertainty around BREXIT means that there is chance the market may slump.	The Sargeant Family's experience of restoring heritage assets will help ensure that any development is brought forward in a timely and efficient manner,

Low	Medium	High
Risk	Probability	Amelioration
		minimising market exposure.
The tourist market changes for the worse	Low-Medium. The tourism trade is fickle and easily influenced by the market and Fashion. The Pound is currently at a low point and may rebound following Brexit.	The offering proposed is likely to be unique and will draw audiences from afar. This should protect the Priory from a certain amount of fluctuation.
The wedding business changes for the worse	Medium. Essex has more wedding venues than any other county. Further, there has been a change in the demand from Country-Houses to Barn style venues. It is not impossible that a similar change may occur again.	By offering both a Country-House and barn offering the Priory is well placed to react to market changes.
Planning, listed building and SaM consents required are not forthcoming	Low. To date been the there have been disagreements in terms of strategy and resourcing issues at TDC that have slowed the planning process, delaying development but these matters seem to be resolving positively.	It is hoped that by engaging with Stakeholders at an early stage and by involving TDC and HE in the Business Plan that this process should be streamlined.
The housing market alters, the enabling development does not proceed as scheduled and the funds are not available for the Trust to match fund the Heritage Lottery Fund bid	Low. As mentioned above there is a considerable amount of uncertainty relating to UK economy and its housing market. City & Country are a long-established developer that has negotiated various down turns and due to the quality of their product has been able to maintain sales.	It is considered that the location of development on the St Osyth Priory Estate make these properties more desirable than the norm for the market, which should protect them from minor market fluctuations.
Commercial funding market changes - availability of debt	Low-Medium. Banks are becoming more and more cautious about funding development projects.	The scale of the project and investment from other sources should minimise the risk to the banks.
Build Cost inflation	Medium-High. As shown in Appendix A, Build Cost Inflation has been persistent	A quick and efficient build programme that front loads procurement. Further, City & Country will use their

Low	Medium	High
Risk	Probability	Amelioration
		knowledge and experience of restoring heritage assets to minimise an additional cost incurred.
Deterioration of heritage assets prior to restoration	Medium-High. Whilst buildings are without a use they will continue to deteriorate.	Bringing forward income streams as early as possible so that they can ensure regular maintenance and prevent further deterioration.
Rate of deterioration increases due to delays	Low-Medium. As is evident from the recent storm damage, the rate of deterioration continues to increase.	The phasing of the business plan is designed to prevent further deterioration to buildings in the quickest way possible.
Suitable business partners not forthcoming	Low. The scale of the operation is considerable and there will only be a limited number of organisations with suitable experience. City & Country has been able to source new partners across the country and given the work done so far this is a low risk. Also, Savills recommend that the family take control in house and they would assist with the recruitment of the right staff.	The Sargeant Family has already been using its network to make contact with potential business partners, who can hopefully be brought on board.
Suitable staff not available	Low. Although the work is largely unskilled there are certain roles that will require more qualified people, who may be put off by the geographical proximity to Clacton-on-Sea. City & Country has been able to source new employees across the country and given the high-profile nature of the project this is considered a low risk.	The scale of and nature of the business will be an attractive draw to candidates.
The Wedding & Events Business does not perform as well as projected	Low- Medium. The wedding business is key to the success of this strategy. The wedding industry is highly competitive	An existing wedding operator could be brought onboard, bringing with them their reputation and