

**Agenda Item No. 6(g)**

**DERBYSHIRE COUNTY COUNCIL**

**CABINET**

**10 September 2020**

Report of the Director – Economy, Transport and Environment

**ELVASTON CASTLE MASTERPLAN DELIVERY PROGRAMME (CLEAN GROWTH AND REGENERATION)**

(1) **Purpose of Report** To request “in principle” approval to the implementation of a delivery programme for the Elvaston Castle Masterplan and secure funding in accordance with the proposed Funding Strategy outlined in the report.

(2) **Information and Analysis**

**Background**

Cabinet approved the Elvaston Castle Masterplan on 20 December 2018 following a public consultation exercise earlier that year (Minute No.306/18 refers). The Masterplan is the central document developed in partnership with the Elvaston Castle and Gardens Trust (ECGT) which sets the vision and long terms goals of the work required to provide a sustainable future for Elvaston Castle and Estate, relieve the Council of the significant on-going annual maintenance and running costs and resolve the major backlog of capital works to the buildings and landscape whilst maintaining public access to the Estate.

The delivery of the Masterplan needs to be seen in the context of exploration of options for the future of Elvaston which have taken place over many years.

The Essential Repairs Report, undertaken in 2011, sets out all the repairs that were required on the Elvaston Estate to stem the decline of the Registered Park and Garden and the listed buildings and other garden structures. This report identified £6.4m would need to be spent at that time.

Development partners have been interested in the Castle in the past, however, a combination of public opposition and difficulty creating a plan, which would achieve a suitable balance of development and access, meant that none of these ideas came to fruition.

In 2013, the Council secured the assistance of the National Trust and, working in partnership, developed an ambitious 10 year vision, which formed the basis of the Masterplan.

The draft Masterplan was approved by Cabinet on 15 March 2018 (Minute No. 80/18 refers), and contained the following guiding principles:

- Freehold of the Estate will be retained by Derbyshire County Council.
- A competent single management body will control the overall governance of the Estate with the balance of conservation, heritage and access at its core.
- Financial sustainability will be fundamental to the delivery of the vision, facilitated by a business model that provides on-going reinvestment in the long term stewardship of the Estate without eroding its significance.
- The historic, landscape and biodiversity significance will be protected, conserved and, where sustainable, enhanced.
- Public access to the gardens, parkland and house will be provided and maintained; the parkland at least will be free at the point of entry on foot. The stories and rich heritage will be understood, shared and celebrated.
- People, community involvement and partnership working will be at the heart of all activities.

A public consultation exercise was undertaken during 2018 and the revised Masterplan was approved by Cabinet on 20 December 2018.

## **Options**

The options that were considered by the Council prior to the development of the Masterplan were:

1. Do nothing and leave the Estate to fall further into disrepair – this would result in losing a valuable attraction for local people and visitors, and putting the Council at risk of legal action in relation to its responsibilities for keeping historic buildings in good condition. Adopting this course would undoubtedly cause major damage to the Council's reputation and, as such, inevitably force the Council to have to rethink disposal and sustainability options for Elvaston again. It would result in the future of Elvaston never being properly resolved.
2. Maintain the current operation – operating the Estate as a country park currently costs the Council in the region of £500,000 per annum, a sum that has been identified in the five year financial plan as a budget saving. This figure effectively doubles to around £1m per annum when annual capital bids to address the ongoing repair legacy are factored in, i.e. totaling up to £25m over a 25-year period. These bids are likely to continue and indeed increase in the future to counter the difficulties in managing the country park with ever increasing safety concerns and a likely decline in desirability of the park to visitors. This in turn will frustrate the ability to generate new income and will not result in the Estate ever being financially self-sustainable and able to operate without ongoing Council funding.

3. Sell the Estate – The Estate has a significant conservation deficit and consequently a negative value as the costs of undertaking the backlog of essential repairs is in excess of the Estate's market value. The Council, in exercising its due diligence when disposing of the Estate, would need to ensure that any potential buyer had sufficient funds to appropriately maintain the asset. Given the backlog of repairs identified in the essential repairs report, and the considerable increase in these over the intervening nine years, it is unlikely that an appropriate purchaser would come forward without a significant sum of money being made available to undertake these necessary repairs.

This option was partially explored with Highgate Sanctuary Ltd (HSL). HSL was the Council's preferred development partner for Elvaston. Ultimately, this arrangement terminated, circa 2010, as HSL's proposals impacted adversely on the Registered Park and Garden and the Estate's listed buildings and were therefore unacceptable to South Derbyshire District Council, as planning authority, and Historic England. The sale of the Castle and Estate buildings was also legally challenged when the Council issued the appropriate notice highlighting its intention to sell part of the Estate.

Discussion has also taken place, relatively recently, with the National Trust, which confirmed it would not be willing to take the Estate off the Council's hands. This was partly due to the fact that the National Trust already has significant interests in the area with Calke Abbey, Kedleston Hall and Sudbury Hall. A similar estate in Staffordshire was reportedly subject to a £30m+ dowry in order to transfer ownership from the Council to the National Trust. The National Trust did indicatively indicate that, if it was interested in Elvaston, it would probably require a dowry of circa £50m.

4. Deliver the Masterplan – a viable programme of work to deliver the Masterplan has been developed and costed, which shows a positive benefit/cost ratio for a range of invest to save elements, although it would also require funding for infrastructure and the historic buildings conservation deficit. This approach would secure the future of the Estate, thus removing the financial burden on the Council long term.

Having explored the above options over previous years, the approval of the Masterplan by Cabinet in 2018 gave a clear direction that the only viable option for the future of the Elvaston estate is to develop a programme of work and a funding strategy to secure its future in line with the vision in that document.

### **Masterplan Delivery Programme**

The Council has worked closely with the ECGT, the body that was created to ultimately take responsibility for the management of the site, and now a

registered charity, to develop detailed proposals to deliver Phase One of the Masterplan - the repair and conversion of the core buildings and their development as an improved visitor attraction. It should be noted that a later phase is referred to in the Masterplan (Phase Two). This includes longer term proposals for renovation and restoration of the historic landscape, for which any future funding from the Council is intended to be minimal, as it is likely that such works would be eligible for external grant funding once the earlier phase had been completed.

A contract was awarded to Mace Ltd, working with DCA Consultants, in June 2019, to undertake the strategic project management work required to develop detailed business cases for the various elements and advise on a programme of work that would achieve the desired outcomes. Mace Ltd, working in collaboration with DCA Consultants, were selected through a rigorous procurement process, the aim of which was to commission a company with proven experience of the regeneration of historic buildings and estates, working with charitable trusts, asset transfer, working with property developers on historic buildings conversions and managing and guiding design teams on historic building design work.

DCA has completed the initial phase of its work and provided a comprehensive report that has informed the proposed Delivery Programme. In this report, DCA demonstrates that a wide range of potential end uses at Elvaston have been fully explored through discussion with Council officers and ECGT Trustees and research carried out by DCA and specialist sub-contractors to appraise the market and the net income generation potential. Throughout, end uses have been considered in the context of:

- The Masterplan for the site.
- The history and heritage of the site.
- The Trust's vision for the site.
- Current uses of the site and associated data.
- Comparator and competitor market research for proposed uses.
- Local demographics and profiling data.
- End use mini business plans.
- The need to build an overall business plan that is financially sustainable at the same time as meeting the Trust's charitable objects and community expectations.

Alongside all this work on end uses, Simpson & Brown, Architects, have developed designs to meet the requirements of the end uses and the Council's retained Quantity Surveyor has estimated the associated capital costs for repair, conservation, conversion and new builds.

DCA then developed detailed financial modelling for each of the proposed end uses incorporating required capital investment, projected income and

expenditure to calculate a benefit-cost ratio (BCR) for each end use, and an overall BCR across the full range of uses. It should be noted at this stage that the BCR calculations are strictly preliminary, based on a 25 year return period (excepting play equipment which has been calculated over 15 years), with returns not discounted for early years build-up of income targets, at the 3.5% Green Book discount rate.

Finally, DCA and Council officers together developed proposed packages of work and mapped these across time to develop a phased financial model for delivering Phase One of the Masterplan. This is a crucial part of the delivery strategy which recommends an incremental approach to the regeneration. This would allow funds to be drawn down in distinct phases avoiding any large-scale reliance on financial interdependencies, thus protecting the Council's investment as each stage is completed.

In October 2017, DC Research of Leicester undertook an economic impact assessment of the (then) proposed Masterplan which stated:

*“Based on the analysis of visitor data and a face to face visitor survey of over 430 visitors in October and December 2017, DC Research estimates that in 2017 Elvaston Castle Country Park (ECCP) generated gross on and off site spending impacts in the Derby and Derbyshire economy of £2.64million, and net additional impacts of £1.48million. This is based on a core audience of local (i.e. Derby and Derbyshire) visitors who mainly use the grounds for leisure purposes, predominately walking. If Phase 1 of the ECCP Draft Masterplan was developed (including the new access and services upgrade), and those buildings identified for commercial use were occupied, DC Research estimates that ECCP could support up to 151 FTE jobs in professional, craft, events and hospitality, and retail occupations, which would equate to an additional 81 net additional jobs in the local economy. If the Draft Masterplan was fully developed in terms of the gardens along with improved access, car parking and visitor facilities, it would be reasonable to expect shift over time in audience type, attracting heritage and horticultural visits, and young families, leading to increased visitors from outside the local area, longer dwell times, and increased on and off site spending.”*

DCA has updated this economic impact assessment by undertaking further research to confirm the job creation figures, as well as a number of other elements, to demonstrate the economic impact of the work, now that the proposed programme has been developed in more detail. The estimated number of jobs supported as a result of Phase One of the Masterplan Delivery Programme is 194 full time equivalent (FTE) with 176 of these being newly created.

In the first instance, significant capital investment will be needed in order to put infrastructure in place, repair buildings, and develop new facilities to attract visitors and new businesses which will generate enough income to make the

Estate self-sufficient, as well as creating jobs for local people with a positive impact on the economy.

The total cost of the capital works required under the Phase One proposals has been estimated at £35m.

The financial case for this initial investment at Elvaston has been at the heart of the development of the Masterplan Delivery Programme. By far the biggest income stream is car parking followed by catering. Other income streams have been developed and thoroughly researched and realistic, detailed business cases for each element have been produced. However, the requirement to invest in infrastructure and historic buildings means that an “invest to save” business case will only cover part of the investment required. The other key element of predicting the viability of the Estate is visitor numbers. Clearly, this has a direct impact on car parking income, but also influences spend per visit in the catering outlets and shops. The business cases are all based on visitor numbers in year 1 of 240,000 rising to 400,000 in year 5. It is worth noting that ECGT believes this figure to be very cautious and is suggesting a more ambitious 550,000 visitors per year could be achieved.

The detailed proposals for Phase One of the Elvaston Castle Masterplan Delivery Programme are set out below under the following headings:

- Access drive and car park.
- Repair and renovation of historic buildings.
- Catering.
- Adventurous play facilities.
- Caravan site and glamping.
- Holiday accommodation.
- Retail.
- Equestrian.
- Events.
- Weddings.
- Future running costs.

#### Access Drive and Car Park

The creation of a new access drive and relocation of the car park to a location closer to the core buildings are key building blocks to unlock the potential of the Elvaston Estate.

The Masterplan proposes a new access route running from a point on Shardlow Road, close to the South Avenue Gates, avoiding the South Avenue itself and instead crossing farmland and a small area of marginal woodland. The route will require planning permission and will be designed to minimise its impacts, especially where it crosses or is near existing pedestrian routes and

bridleways. A range of impact assessments will be required. The new access will help to alleviate traffic pressure through Thulston, Elvaston and Borrowash. The new access route and car park will unlock the full potential of the Estate's core buildings by bringing visitors directly to the heart of the site. Along with the installation of new services and drainage infrastructure, this work is seen as essential in updating the core to modern standards, keeping people safe and ensuring that traffic is managed efficiently.

The new car park arrangement will provide more space for parking than the existing car park and will, through the termination of the existing car park function, reduce and reverse the incessant damage to the historic landscape around the lake, notably excessive erosion and root compaction, being caused by pedestrian visitors. The proposed location of the car park is paramount to the future financial sustainability of the Estate by bringing visitors into the areas where they can make greater use of facilities and spend money.

Preliminary work to develop detailed plans and costings for the new access drive and car park has been undertaken, including initial discussions with Highways England and the Environment Agency. Traffic impact assessments, a preliminary ecological appraisal and detailed design work are currently in progress.

The utilities servicing the Estate will need upgrading and this work has been costed and included in the programme alongside the access drive elements to minimise disruption and cost where possible.

#### Repair and Renovation of Historic Buildings

A number of historic buildings at Elvaston have been empty for many years and a major maintenance backlog has developed. It will be necessary to fund comprehensive repairs to these historic buildings before they can be converted to a sustainable modern use with construction and services to current standards.

#### Catering

The provision of a flagship catering offer to a high design standard is considered crucial to unlocking the future potential of Elvaston Castle as a sustainable visitor attraction. The main café needs to be close to the main car park and be highly visible to visitors as they arrive, and with facilities, both indoor and outdoor, to appeal to a full range of community users from families to dog-walkers, younger and older visitors alike. Whilst the majority of the building will be of a contemporary, albeit recessive, design, the café will be entered through the existing historic buildings off the top stable yard, tying the historic and modern fabric together architecturally.

In order to encourage visitors to stay for as long as possible at Elvaston, it is proposed to disperse secondary catering offers around the Estate,

differentiated in terms of offer to suit their location. A tea room in the Gardener's Cottage is proposed, perhaps with a further 'coffee stop' or similar offer within woodland and concessions elsewhere, e.g. ice cream and coffee vans.

#### Adventurous Play Facilities

An adventurous play facility is envisaged adjacent to the main café but away from the historic core. This will provide an alternative offer, particularly for families, where children can access a mixture of free and paid-for attractions whilst parents/carers are able to relax nearby in the main café whilst keeping an eye on their children playing.

A range of sensitively designed facilities are envisaged, such as a large outdoor play structure, probably complemented by secondary sand and water play and themed fun attractions which are not available at nearby parks in the area.

In addition to this, a high ropes tree-top net type facility could be provided and would probably be located within woodland fringing the greater parkland area, if further research proved this to be a feasible option.

#### Caravan Site and Glamping

It is proposed that the former caravan site be re-opened with a contemporary glamping offer, as well as facilities for touring caravans, motor homes and tents.

#### Holiday Accommodation

There is substantial potential for holiday lets at Elvaston and a number of different types of offer are envisaged, which will encourage short stays. Firstly, holiday accommodation is an optimum viable fit for many of the existing smaller historic buildings, especially around the stables and Kennels in the core area. This has the advantage of providing a unique heritage offer whilst at the same time saving the buildings through their sustainable re-use.

Secondly, the Castle's upper floors are also ideally suited to conversion to sets of apartment 'suites' of various sizes. It would also be an option to let out these apartments in conjunction with wedding and other corporate event offers on the ground floor.

Finally, there are areas of woodland not currently open to the public and with no current use or amenity value which could accommodate purpose-built lodge developments for a different type of holiday let offer.

It is important to note, however, that there is a 'critical mass' of such development. Exceeding this will tend to erode the quality of the character and a careful balance needs to be struck.

### Retail, Office and Workshop Facilities

The optimum viable use for the Coach House and many of the historic outbuildings within the core area is a mixture of carefully converted facilities for retail, office and workshop use.

In some cases, such development could reflect the buildings' former uses, for instance the reinstatement of the blacksmith's forge, and the buildings housing the workshop's historic steam engine could be developed as exhibition space. Other former workshops and stables could house a range of other craftspeople and niche retail businesses, while other further possibilities include a cycle hire centre, education facilities and possibly a base for the ECGT. Pop-up retail opportunities could be housed both internally and externally around the stable yards and a plant sales offer is envisaged within the real tennis court area, close to the Gardener's Cottage (earmarked above as a tea room offer).

All these uses are contingent on first repairing the historic buildings and external spaces that will house them.

### Equestrian

Equestrian use has long been associated with Elvaston and contributes towards the special character of the Estate. However, the optimum viable use for the stable areas now needs to change to accommodate other revenue-earning and more directly visitor-facing offers, so whilst equestrian uses will be promoted on the Estate, these ideally need to be relocated to areas of the wider park, possibly in areas currently used as pasture.

It is considered that an equestrian offer at Elvaston will help to build visitor audiences and, at the same time, bringing in a revenue return, albeit probably a fairly modest one.

### Events

A well designed outdoor events programme, building on the events already staged at Elvaston, such as the Woodland Festival and the Steam Fair, is seen as a key tool for attracting new audiences; understanding local communities and their interests will help the development of a programme at Elvaston that grows and diversifies audiences and builds their loyalty.

A mix of events is envisaged. Large scale events based on the showground are likely to raise most revenue, but further events, some small-scale, including cinema, educational and seasonal offers, are also seen as viable, and these can be staged at various points around the park. To maximise returns on events, a comprehensive programme of improvements will be needed to improve access, ground surfaces and services infrastructure.

Conferencing and Events business opportunities have also been widely identified in the study, predominantly (along with weddings) making use of the

ground floor of the Castle which is seen as offering great potential, subject to investment, to bring the rooms up to a high standard in terms of finishes and services, including contemporary IT connectivity.

### Weddings

It is proposed that facilities for weddings will be improved which will generate more future revenue. The wedding offer in the ground floor of the Castle will be improved with facilities to cater both for receptions and ceremonies. With a reconfiguration of the ground floor arrangement and better fire compartmentation and escape measures, it is envisaged that the offer could be more appealing to couples wanting to invite more guests and thus, more lucrative in revenue terms. This approach is seen as consistent with the requirements for an improved conferencing and events offer, as described above in the preceding paragraph.

Conversion and refurbishment of both the upper floor of the castle and the Bothy Range by the Nursery Garden, combined with the development of luxury lodges in the Estate grounds will further boost the appeal of the wedding offer, both at the Castle and to the Old English Garden and Nursery Gardens where a purpose-built pavilion and marquee are already located for summer weddings.

### Future Running Costs

The staff structure will need to be changed radically and increase in scope to facilitate the operation of the many new revenue-earning facets. A draft structure has been developed by the Trust and reviewed by the consultants. It envisages an Estate Director to oversee the whole operation; a Park Manager to oversee maintenance, gardening, visitor experience and education aspects; and a number of posts to run the business side, e.g. events, marketing, finance, Human Resources, etc.

Other costs will increase as the Estate's offer flourishes, for example, premises, gardens and estate costs, to reflect the larger number of buildings in use which will require increased cleaning, maintenance, security, etc. Further on-costs to support the new staff structure will include operational, marketing, event-related and finance costs.

### **Funding Strategy**

The estimated £35m funding required for the Masterplan Phase One Delivery Programme falls under three categories:

1. Infrastructure to unlock the potential of the Estate including the new access, car park, services/utilities and other elements, such as drainage.
2. Repair of historic buildings – there is a large “conservation deficit” as the Council has not invested significantly in keeping buildings in good repair for many years. As landowner, the Council has a responsibility to do this regardless of any future use.

3. Invest to save – significant investment is required in order to generate income including a new café; conversion of buildings and spaces to create commercial retail/office spaces and events; and introduction of new facilities that visitors will pay to use such as adventurous play.

The first two categories arguably require investment from funding streams that do not need to be repaid as they do not, in themselves, directly generate income that could be described as “invest to save”. The third invest to save element is investment that would only go ahead if the business case demonstrated that the income generated could support the borrowing costs and be repaid over a period of time.

The breakdown of costs for each proposal are set out below:

<b>Proposal</b>	<b>£m</b>
Access drive and car park	5.0
Services and site infrastructure	3.1
Café	3.1
Courtyard buildings	2.2
Stable yard buildings, real tennis court and Springthorpe Cottage	6.3
Adventurous play facilities	1.1
Castle repairs and ground floor conversion	5.0
Caravan, glamping and equestrian facilities	0.7
Holiday lodges and cottages	2.7
Events investments	1.1
Castle upper floors	4.0
Project management and design	0.7
<b>Total</b>	<b>35.0</b>

The Funding Strategy proposes the following main funding streams:

1. Derbyshire County Council borrowing.
2. National Lottery Heritage Fund bid (NLHF).
3. Derby, Derbyshire, Nottingham and Nottinghamshire (D2N2) Local Enterprise Partnership (LEP) bid.
4. Section 106 funding/other smaller heritage and project funding sources.
5. Development partner funding.

For each stream, the following funding proposals have been formulated in principle:

- 1) Capital investment via prudential borrowing from the Council of £21.6m. This investment would fund a range of projects and services and most of it (up to £15m, i.e. for proposal packages i) and ii) below) could, subject to the Council’s borrowing criteria, be borrowed on an invest to save repayment basis, as follows:

- i) £10.6m borrowed to finance in total the new café and adventurous play facilities, the conversion and fitting out costs of the Coach House and carriage shelter buildings to provide revenue-earning retail/office/events accommodation, two discreet new lodge developments for holiday-letting, improvements to the Springthorpe Cottage and staff car park, drainage improvements to the showground and further investment to support a glamping offer to the caravan site and an equestrian facility in the wider parkland.
  - ii) A further £4.4m borrowed to finance the conversion and fitting out costs of the ground floor of the Castle for hospitality, events and educational use, the Upper and Lower Stable Yard area and former museum buildings as a retail/workshop offer, the real tennis court area as a plant sales outlet, the Gardener's Cottage as a secondary catering outlet and the Kennels Cottages, Gas House and Bothy Range as holiday let accommodation. All the buildings under this heading have a conservation deficit, i.e. cost of repairs to bring them up to a neutral cost basis for commercial development.
  - iii) A £2.8m match funding contribution towards necessary repairs under category (ii) above to cover the pre-existing conservation deficit costs.
  - iv) A £3.1m match funding contribution towards the construction of a new access drive, junction and car park, updated services and site drainage infrastructure, expected to cost in total £8m, the balance of which would be the subject of a LEP funding bid (see Section 3 below). This work, whilst not set to earn additional revenue directly, is crucial in unlocking the commercial sustainability of the regenerated Estate.
  - v) A £700,000 contribution to fund the costs of external strategic project management consultants, external design and other project consultants, and the cost of a dedicated Council Client Project Manager, all to be appointed on an initial two year basis, which could be extended subject to agreement by all affected parties and Council Cabinet.
- 2) A £4m Heritage Enterprise Grant funding application to the NLHF with the contributions outlined in sections 1, 3 and 4 provided as match funding to support new, sustainable investment in the historic buildings currently requiring extensive repair and upgrading work, particularly the Castle itself. The Stables and former museum area buildings, the real tennis court area, the Gardener's Cottage, and the Kennels Cottages, Gas House and Bothy Range could also benefit from NLHF funding to facilitate their conversion to the revenue-earning uses described under Section 1 (ii) above, on the same basis.
- 3) A £5m Grant funding application to the LEP with the £3.1m contribution outlined in Section 1 (iii) above provided as match funding to finance the construction of a new access drive, junction and car park, updated services and site drainage infrastructure, expected to cost in total £8.1m.

- 4) Section 106 funding is being explored with South Derbyshire District Council; DCA Consultants are also looking at other smaller heritage and project funding sources to address remaining funding gap of £400,000.
- 5) A £4m developer investment in the Castle to finance the conversion of the upper floors to residential accommodation, the revenue from which would be recouped by the developer to service the repayment of the initial investment, whilst paying a nominal rental contribution to the Council. This investment would also be used as match funding to the proposed NLHF bid described in Section 2 above. It is a standalone element that will only be implemented if a developer is identified.

Any bids for external funding would need to be based on the overall business case for the Masterplan Delivery Programme, demonstrate that it meets the objectives of securing the future of the Estate and its historic value, creates jobs and contributes to the local economy, and provides a facility for local people and visitors alike. External funders will require confirmation of the Council's intention to provide match funding as part of a bid.

A summary of the proposed funding streams described above to meet the estimated £35m expenditure is as follows:

Source	Purpose	£m
DCC borrowing – invest to save	Income generating visitor facilities and attractions	10.6
DCC borrowing - invest to save	Income generation historic buildings conversions and repairs	4.4
DCC Contribution – match funding	Historic buildings repair deficit	2.8
DCC Contribution – match funding	Access drive, car park, services and site infrastructure	3.1
DCC contribution	Project management and design	0.7
National Lottery Heritage Fund (NLHF)	Historic buildings conversions and repairs	4.0
D2N2 Local Enterprise Partnership bid	Access drive, car park, services and site infrastructure	5.0
Section 106/small heritage project funding	Smaller heritage/community project elements	0.4
Development Partner funding	Castle conversion, optional if developer is found	4.0

Finally, it should be noted that previously allocated Council capital funding, amounting to approximately £900,000, is currently being expended on a range of repair and enabling works where direct commercial revenue returns are not available to service borrowing. These include repairs to garden structures, minor short term works to the Castle and the establishment of a new staff base and plant enclosure in the Frame Yard adjacent to the Nursery Garden. The latter will allow the newly-repaired Coach House to be vacated by Council

staff in readiness for its planned conversion to retail or office use under the Phase One Masterplan proposals. Following a detailed feasibility exercise, a further capital bid in autumn 2020 of up to £500,000 is proposed for the Frame Yard and other related essential and urgent repair projects.

### **Impact of Coronavirus (COVID-19) and Brexit**

An expert opinion has been provided by the Chair of the Elvaston Castle and Gardens Trust, Dr Peter Robinson, who is Head of the Centre for Tourism and Hospitality Management at Leeds Beckett University. He is an internationally recognised expert on visitor experiences, tourism business planning, operations management, strategic planning, heritage tourism, events management, regeneration and placemaking and has provided the following views on the impact of COVID-19 and Brexit:

*“It is largely anticipated that, post Covid-19 domestic tourism will increase due to the following factors impacting international travel.*

- 1. Quarantine requirements and border controls will make international travel difficult to many nations*
- 2. It is highly likely quarantine restrictions will apply to those returning to the UK, this making it unattractive to travel overseas*
- 3. As a consequence of reduced travel demand flight prices will increase to make it financially viable to operate flights. Some carriers will fail and this will then create increased demand which will further increase prices.*

*While points 1 and 2 are relatively short term and may not be an issue by the time work begins at Elvaston, the third point will be a longer-term structural challenge for the sector. Combined with lingering impacts of lockdown on society and perceptions of personal health security when travelling and it is highly likely that domestic tourism will replace demand for a large number of overseas trips.*

*There is a strong possibility, therefore, that Elvaston will benefit from a general uptake in domestic tourism. Elvaston is not a site which will attract international visitors in significant numbers so it will be equally unaffected by a drop in inbound travel.*

*The Covid-19 effect may be further exacerbated by Brexit – both in terms of the added complexity of European travel and the value of the pound relative to the euro which may shift European short-haul demand from the UK towards an increase in UK short-breaks.”*

It is recommended that the above regeneration proposals are reviewed in the light of the social and economic outcomes arising from the COVID-19 pandemic, once known, before they are approved in detail to ensure that commercial sensitivity and flexibility are built in.

## Conclusions and Next Steps

In summary, the Council has shown a clear direction of travel to regenerate the Elvaston Estate and secure its future. The research undertaken to inform the delivery of the Masterplan has demonstrated that there are significant economic benefits that can be realised with the appropriate investment. None of the other options considered and/or previously pursued for the Estate fit with the Masterplan, nor do they have any benefits for local people and communities.

This “in principle” approval would not constitute approval for any specific capital spend at this stage, but would enable the following to progress:

1. Apply for external funding, with confidence to grant funders that the Council is fully committed to delivering the Masterplan and contributing match funding if bids are successful.
2. Secure planning permission for the access drive and car park and other elements as the programme develops.
3. Undertake further work to test and validate the business cases for individual proposals.
4. Develop more detailed proposals for the phasing of the programme.
5. Develop a stakeholder plan to identify who the key interested parties are and how the Council and ECGT will engage with them.
6. Develop a risk register to identify the risks associated with the Masterplan Delivery Programme and the mitigations that are required.
7. Undertake further work on the proposals to transfer the responsibility for the management of the site to the ECGT.
8. Engage the strategic project management consultants for years 2 and 3 of the contract to cover architectural design work to inform planning applications; structural engineering consultancy; specialist advice, e.g. in relation to services on site; quantity surveying services and project management resource at an estimated cost of up to £450,000, subject to the 2021-22 budget setting process. These costs are included within the overall £35m figure under ‘Project management and design’ above, and may thus be deductible from this, subject to finalised scope and programme.

(3) **Financial Considerations** The current running costs, in the region of £490,000 per year, are part of the budget savings proposals agreed by Cabinet in September 2019, which sees the budget being removed by 2025-26. This aligns with the intention to hand over the running of the Estate to the ECGT at an agreed point in time and for it to be financially sustainable as a vibrant visitor attraction, providing future generations with positive, memorable experiences.

The DCA report concludes the following in relation to the overall financial situation:

*“Under this new fully invested model, this annual cost would fall to c£175,000 in year one and would be eliminated in favour of modest but growing surpluses by year three. By year five, an annual surplus of c£370,000 may be achievable. For the calculation of investment capacity, we can make two comments based on the 400,000 visit model:*

*Setting aside the reduced incomes of the early years as the business is built up, allowing car parking income as a return, but without charging the cost of the access drive and car park to the investment/return equation, the whole package has a BCR overall of 1.37.*

*The total financial benefit from year five onward might be calculated as current net deficit obviated plus surplus generated in future years, i.e. £490,000 plus £370,000 = £860,000. However, this would overstate the amount that would normally be counted as available to ‘repay’ borrowing, because if the Trust is to operate this future Elvaston, it would need under good prudence and charity regulation to have a reserves policy and retain a modest part of its surplus each year to build a reserve. If we assumed that the Trust would properly budget a retained surplus each year of £110,000 (which also provides some budgeted capacity to deal with contingency) then the amount available to service borrowing from year five might be seen as c£750,000.”*

In terms of immediate financial implications, it is necessary to engage the strategic project management consultants for years 2 and 3 of the contract at an estimated cost of up to £450,000, as referred to above, which will be the subject of a one-off revenue budget growth bid for 2021-22 to be considered by Cabinet as part of the budget setting process in January 2021.

(4) **Legal Considerations** The Director of Legal Services will advise in relation to the implementation of the proposed delivery programme for the Elvaston Castle Masterplan.

(5) **Human Resources Considerations** This report does not directly have any Human Resources implications, though it should be noted that the intention to hand the day to day running of the Estate to the ECGT could require the transfer of employees to a separate organisation, whether that is the Trust itself or other body. The implications of this will be thoroughly explored before any decision is made.

## **Other Considerations**

In preparing this report the relevance of the following factors has been considered: prevention of crime and disorder, equality and diversity, environmental, health, property, social value and transport considerations

(6) **Key Decision** No.

- (7) **Call-In** Is it required that call-in be waived in respect of the decisions proposed in the report? No.
- (8) **Background Papers** Held on file within the Economy, Transport and Environment Department.
- (9) **OFFICER'S RECOMMENDATION** That Cabinet gives "in principle" approval to the implementation of the proposed delivery programme for the Elvaston Castle Masterplan and to secure funding in accordance with the proposed Funding Strategy outlined in the report.

**Tim Gregory**  
**Director – Economy, Transport and Environment**