

Subject: **The South East Tower**

Report to: Executive Leadership Team – 19th November 2018

Policy and Resources Committee – 5th February 2019

Report by: Property and Asset Management

SUBJECT MATTER/RECOMMENDATIONS

Consideration and approval of the future management and repair of the South East Tower as Holiday Accommodation:

Recommendation – To transfer the ownership of the South East Tower, with appropriate covenants, to the Great Yarmouth Preservation Trust for continued operation as holiday accommodation.

1. BACKGROUND

This report considers the future ownership and operation of the South East Tower.

In 2014 the Council invested £125,000 in the repair and reuse of the South East Tower, which has Historic Monument status, for holiday accommodation. The intention was that the repair and reuse would support the emerging cultural tourism offer, underpin the ambitions of the heritage strategy and provide a viable end use for an important heritage asset.

It was suggested that the revenue stream generated would then be used to maintain the tower and surrounding section of wall into the future. Great Yarmouth Preservation Trust who had presented the concept of the repair and reuse of the tower were tasked to design a scheme and manage the contract. The property was subsequently let out as a holiday home and this was managed by GYPT.

In July 2018 as part of the Councils stock condition program an inspection was carried out that identified serious shortcomings in basic risk management together with the property not complying with various H & S legislation and servicing requirements.

As a consequence of these findings it was agreed by the executive that the property should be closed with immediate effect and for any urgent remedial works undertaken together with a review of the costs and a going concern for holiday accommodation.

2 CURRENT SITUATION

Those Health & Safety issues considered needing immediate attention (to allow the property to be open for holiday bookings) have been completed. Property and Asset Management (PAM) also recommends further works to be carried out in this financial year as identified under the Planned Property Maintenance (PPM) schedule attached including the replacement of some furniture owing to its poor condition.

The PPM also identifies significant repairs being required in the next 5 years (from 2019/20 onwards) which has been budgeted at approximately £86,000. This is largely due to masonry / mortar repairs owing to the age of the tower and traditional materials used.

Annual income

Having discussed with GYPT, prior to the towers closure for emergency repairs bookings for this year were around £2000 and it is understood that a further £6,000 of bookings were secured before the tower had to closed temporarily.

It should be noted that marketing was via GYPTs own website and www.quirkyaccom.com (a niche accommodation website) which is understood to have annual visits of 1.6 million per year. By way of comparison Hoseasons (considered the largest website for holiday accommodation in the UK) have annual visitor numbers in excess of 36 million.

A further review of annual income has been considered (assuming the property remains in repair and marketing is maximized).

Holiday rent projections

Peak (per week) £500
Offpeak (per week) £350

Total weeks

Peak (school holidays)	13	£	6,500	
Void period say	15%	£	975	
			Sub total	£ 5,525
Off Peak (rest of year)	39	£	13,650	
Void period say	25%	£	3,413	
			Sub total	£ 10,238
			Total Annual	£ 15,525

Annual Outgoings

Repair costs (prorata masonry repairs etc over 5 years £86,340)	£	17,268
Annual servicing costs	£	6,000
Cleaning / Laundry	£	2,000
Utilities & Insurance	£	2,000
Agency advertising say	£	3,000
Management of property say	£	1,500
Telephone and internet	£	800
Business Rates (holiday cottage let more than 140 days per year)	£tbc	
Total per annum (incl repairs)		£ 32,568 exc VAT

The full repairs cost schedule is attached as confidential appendix 1.

At the rental income estimated above and ignoring repairs (£17,268) required over the next five years the remaining overheads for the holiday accommodation will mean it will only break even. Naturally if these repairs are included there is a significant short fall. It should be noted that these repair works may also reduce the income stream from holiday lettings in one year as the tower may not be available for use whilst these works are undertaken.

2. Options for Future Management

On the basis these revised costs are accepted there are a number of ways that the property can be managed.

Option	Opportunity	Risks/costs
1. Holiday Letting Agency	Promotion and management of the Tower through a holiday letting agency.	<p>The typical fee to an agency is 20% of the bookings plus an additional fee for cleaning, laundry and management the responsibility for insurance, utility bills and maintenance remains with the Council. Any income would need to be ring-fenced for the repair and maintenance of the Tower and Town Wall.</p> <p>Under this option the property would be operating at a loss and this has therefore been discounted.</p>
2. Lease property to an holiday operator	To undertake to lease the Tower to as holiday accommodation direct to an operator	This option is unlikely to be feasible unless subsidized based on the above income and expenditure calculations.
3. Contract with Great Yarmouth Preservation Trust	To agree a contract with GYPT to advertise, promote and manage the tower as holiday accommodation.	<p>GYPT would reclaim expenses for example administration, laundry and cleaning. Advertising, promotion and some bookings will be via AirB&B and Tripadvisor. The responsibility for insurance, utility and maintenance remains with the Council. Any income would need to be ring-fenced for the repair and maintenance of the Tower and Town Wall.</p> <p>Under this option the property would be operating at a loss and this has therefore been discounted.</p>
4. Transfer of the asset to Great Yarmouth Preservation Trust	<p>To transfer the asset to GYPT to continue operating as a holiday rental.</p> <p>Through conversations with GYPT it is clear that as a registered Charity the main purpose of the the company is to protect, maintain and secure the long term historic fabric of assets for the benefit and enjoyment of all. With the opportunity for GYPT to use the conservation company within GYPT ownership, Norfolk Conservation Ltd, savings in relation to all required future restorations can be managed to best effect.</p>	The current asset valuation of the property is such that owing to the significant annual costs to maintain it is defined as de-minimus for financial reporting purposes.

3. RISKS

Each of the above options presents a level of financial risk to the council given that the facility is likely to deliver a negative return. It is clear that capacity within the Council to undertake the day to day management of the holiday accommodation is limited.

GYPT have indicated that the main opportunity with the Tower is to enable it to be used, maintained and enjoyed by the public complementing the wider regeneration ambitions of the town, especially the vital role heritage will play in regeneration plans.

Options 1 – 3 above represent an ongoing risk in relation to operational costs and repairs and maintenance of the property so for the purposes of this report have been discounted as opportunities going forward.

Option 4 would present a risk to the Great Yarmouth Preservation Trust however it is clear from discussion that they feel able to manage potential costs by utilizing the GYPT in-house Norfolk Conservation company to reduce any future maintenance liability.

In accordance with the RICS Red Book this historic monument was valued as holiday accommodation and considered de-minimus for asset valuation purposes owing to the substantial liability for ongoing repairs and management that would outweigh the income achievable in future years.

There are very limited alternative uses for this ancient scheduled monument and prior to the conversion the property had been vacant for nearly two decades. Any alternative uses (such as a small office) would require further capital expenditure and cost of ongoing repairs and maintenance as previously described would not see a return on the investment remaining de-minimus for asset valuation purposes.

Within section 123 of the Local Government Act 1972 the General Disposal Consents gives Local Authorities freedom to dispose of any interest in land at less than best consideration without the specific consent of the Secretary of State should it provide a contribution toward the promotion or improvement of the economy, social or environmental well-being of its area. Clearly as an important historic monument the environmental promotion and development of the building is essential to the history of the town. Through the transfer to a recognised and respected charity for continued use enjoyment of this property can be guaranteed. It is therefore considered there are no state aid issues.

4. RECOMMENDATIONS

Recommendation – To approve the transfer of the South East Tower, with appropriate covenants, to the Great Yarmouth Preservation Trust for continued operation as holiday accommodation.

Area for consideration	Comment
Monitoring Officer Consultation:	
Section 151 Officer Consultation:	Considered and included
Existing Council Policies:	
Financial Implications:	Yes
Legal Implications (including human rights):	Yes
Risk Implications:	Yes
Equality Issues/EQIA assessment:	No
Crime & Disorder:	No
Every Child Matters:	No