

AGENDA ITEM 8

**REPORT TO THE TEES VALLEY
COMBINED AUTHORITY CABINET**

5 FEBRUARY 2018

**REPORT OF THE
INVESTMENT DIRECTOR**

PORTFOLIO: INVESTMENT

KIRKLEATHAM ESTATE

SUMMARY

The purpose of this Report is:-

- to inform Cabinet of the requirement for additional funding for the Walled Garden and associated infrastructure (the “Walled Garden and Infrastructure Project”) at the Kirkleatham Estate in Redcar;
- to seek approval for up to £3.66 million of additional Combined Authority grant funding for the Walled Garden and Infrastructure Project; and
- to set out for Cabinet the wider Kirkleatham Estate programme and potential funding requirements for the future.

RECOMMENDATIONS

It is recommended that the Combined Authority Cabinet:-

- i. subject to the satisfactory completion of due diligence under our Assurance Framework, approves the allocation of up to £3.66 million of additional Combined Authority grant funding in respect of the Project;
- ii. delegates the finalisation of the amended funding and associated contractual arrangements for the Walled Garden and Infrastructure Project to the Managing Director and the Finance Director; and
- iii. notes the wider Kirkleatham Estate programme and potential additional funding requirements for that programme in the future.

DETAIL

Kirkleatham Estate – Background Information

1. The 74 hectare Kirkleatham Estate is a major asset in Redcar & Cleveland and the wider Tees Valley region and is one of the most significant heritage sites in the North East of England. It contains 24 listed structures, some which are Grade1 listed. A map of the estate is set out at Annexe A. The estate encompasses the following assets:-
 - Kirkleatham Museum;
 - Bellamy Pavilion, with 2.9 hectares of former nursery sites to the rear;
 - Walled Garden and Catering Academy (the subject of this Report);
 - The Stable Block;
 - 18 hectare showground and 9 hectares of woodland;
 - Kirkleatham School;
 - Church View (empty property), West Lodge and The Paddock (derelict properties);
 - Owl Centre; and
 - Donkey field.

The estate also contains a significant number of properties not under Council ownership:-

- Sir William Turner Hospital - now alms houses and the chapel, with agricultural land to the south;
 - St Cuthbert's Church, mausoleum and village; and
 - The Old Saw Mill (cattery).
2. The development of the Kirkleatham Estate will support the delivery of the Culture priority theme within the Tees Valley Strategic Economic Plan ("SEP") and is specifically referenced in the Tees Valley Investment Plan. The Estate is a key priority for RCBC, and the vision is that Kirkleatham can become a major regional visitor attraction and a showcase for local heritage, talent and residents and an inspirational place for culture, leisure, business and training, bringing significant opportunities for greater prosperity, employment and wellbeing across our communities.
 3. The programme to redevelop Kirkleatham Estate currently consists of seven projects, which have initially been estimated at a total value of £22-24 million. These are:-
 - Kirkleatham Walled Garden (the subject of this Report);
 - Infrastructure project (ditto);
 - Stable Block - restoration of the 1,100sqm Grade 2* listed stable block plus infrastructure and landscape to create a major cultural venue;
 - Landscape restoration - whole estate landscape restoration including water park, show field, signage and associated branding works;
 - Bellamy Pavilion - building requires reroofing, with options to be explored as to whether a more comprehensive refurbishment of the building and its neighbouring bungalow should be undertaken;
 - Church View - refurbishment of the former NHS facility to provide a mixed long-term and respite care home for children who require significant support; and
 - Enabling development – to develop a design brief and release a small number of plots over a number of years for suitable residential developments.

Kirkleatham Walled Garden Project and Associated Infrastructure

4. The Walled Garden and Catering Academy itself is a 3.5 acre (1.5 hectare) site comprising catering and horticultural academy, formal, activity and produce gardens, a pavilion, restaurant and shop. It is anticipated that the project will create over 100 apprenticeship and traineeship opportunities over 3 years specialising in horticulture, catering and hospitality, plus 33 new jobs and 67 construction jobs. The project is due to start on site by April 2018 with practical completion scheduled for 1st March 2019.
5. The original application for the current walled garden scheme came into the devolution LGF programme as a late replacement for another unconnected project which was not taken forward. At that point the scheme was not developed enough to cost in detail, and £2.7m of Combined Authority funding was allocated based on those “headline” costs. The Combined Authority committed £2.7 million of Local Growth Funding to the Walled Garden Project at its Cabinet meeting in August 2016 and the project continued through to due diligence. RCBC have continued to work on the project and there is now a higher but more robust cost assessment which also ensures that the build is of a sufficiently high quality to meet the long term aspirations for the site
6. In addition there is now an acceptance that, due to the acute pressures being caused by the volume of traffic going through Kirkleatham Village, the walled garden scheme cannot be delivered on its own without a new road access and associated car parking for the site, to provide a long term solution to these issues. The associated and extended infrastructure element comprises the construction of a new gateway for the entire estate, with road access from the A174 and a car parking area (270-300 spaces), plus a service area with taxi drop off/disabled parking and a substation to provide power capacity for the Kirkleatham Estate. This also includes relocating a right of way for landowners to land to the south of the walled garden. RCBC has purchased the land required to carry out these works. This infrastructure work is now scheduled to be completed by 31st January 2019, as these elements of work need to be completed before the walled gardens and restaurant open to the public.
7. The increased costs and the need for the infrastructure have obviously had a significant impact on the overall costs for the extended project, which are now at £8.18m. RCBC is meeting some of these additional costs on the previously approved project, but the balance of the additional funding is now urgently required to deliver the original project together with the new access/infrastructure, and to achieve the delivery timetable set out above. Additional funding is therefore being requested from the Combined Authority as part of its Culture and Tourism investment programme.

Funding

8. The total costs for the Walled Garden and Infrastructure Project are therefore now £8.18 million. It is proposed that these project costs will be funded as follows:-
 - TVCA funding already committed - £2.7 million;
 - Additional Combined Authority funding as set out in this report - £3.66 million;
 - RCBC - £0.14 million formally approved (this is in addition to £840,000+ spent by RCBC since 2011 on site infrastructure, land acquisition and infrastructure for events);
 - Heritage Lottery Funding - £0.58 million;
 - Coastal Communities funding - £1.1 million.

9. The additional funding being sought by RCBC from the Combined Authority pursuant to this Report is therefore £3.66 million:-
- £0.66 million for the cost increases in respect of the walled garden itself; and
 - £3 million in respect of the road and car park infrastructure (as set out at paragraph 6 above).

Wider Kirkleatham Estate Programme

10. Cabinet is asked to note the extent and detail of RCBC's planned Kirkleatham Estate programme, as set out at paragraph 3 above. The total value of the programme is in the region of £22-£24 million. No further Combined Authority funding is being requested or has been committed in principle at this point in respect of the balance of the programme, but Cabinet is asked to note that the remainder of the overall programme is only likely to be funded with at least some financial support from the Combined Authority.
11. RCBC will continue to work to secure additional resources wherever possible from Heritage Lottery Fund, Coastal Communities Fund, Arts Council and any other potential sources, to reduce the overall financial request(s) to the Combined Authority in the future. RCBC will also work with the Combined Authority to review any potential for prudential borrowing to fund some elements of the programme.
12. If additional funding could be found, RCBC is confident that the whole estate programme could be delivered by end of 2025 to factor into the City of Culture bid.
13. Any further requests for Combined Authority funding will be built into the forward pipeline for consideration once known, and will come to Cabinet for discussion and approval at the appropriate time.

Ambition and Potential Benefits

14. This proposal is aligned with the SEP and Tees Valley's Culture and Tourism strategy which aims to:-
- invest in significant cultural development in Tees Valley;
 - prioritise cultural and heritage attraction development where strong increases in the visitor economy can be achieved; and
 - invest where the historic significance of a site can be shown to have regional, national (and potentially international) appeal.
15. The early 18th Century buildings and landscape at Kirkleatham offer the opportunity to create a complex site offering arts and culture venues, tourism and retail opportunities and an English garden experience alongside the new catering school. In addition, the wider estate offers the opportunity to develop a water-feature based park and a number of visitor adventure experiences.
16. Currently Kirkleatham receives approximately over 100,000 visitors per annum (excluding specific events such as the Festival of Thrift and Halloween). The proposed developments at the site could attract an additional 50,000+ visitors to Tees Valley, with the correct balance and range of experience to be developed there; adding significant revenue funding to the overall operations budget and delivering additional direct and indirect jobs and a minimum of an additional £4 million visitor spend per annum to the wider visitor economy.

FINANCIAL IMPLICATIONS

17. The Combined Authority has previously approved £2.7 million towards the Walled Garden project at its Cabinet meeting of August 2016.
18. Since this approval RCBC has undertaken further development work on the project which has resulted in an increased funding requirement of £0.66 million from the Combined Authority.
19. RCBC has committed a further £135,000 and has purchased land in order to carry out the associated infrastructure works which are proposed to be funded by the Combined Authority. The works comprise an upgrade to the power supply, the construction of a new gateway and road access to the site and car parking area at a total of £3 million.
20. There are currently no financial implications arising from the remainder of the wider estate programme

LEGAL IMPLICATIONS

21. Any legal issues in respect of the additional funding for the Walled Garden Project will be dealt with in the funding agreement between the Combined Authority and RCBC, which will be amended to take account of this additional funding. The funding agreement will be tailored so as to minimise the risks identified in the risk section below as far as possible.

RISK ASSESSMENT

22. The key risks in relation to the Combined Authority's investment in the Walled Garden Project are as follows:-
 - (a) potential time and cost overruns leading to the development being delayed or jeopardised (including the potential loss of £1.7m match funding if the Project is not delivered as scheduled) - this will be managed through the Combined Authority's funding agreement with RCBC (including monitoring and reporting arrangements) and through RCBC properly incentivising the timely completion of the construction works through its contractual arrangements with its contractors;
 - (b) the walled garden and infrastructure elements of the Kirkleatham Estate programme proceed, but the remainder of the wider estate programme are not then delivered – the walled garden and infrastructure are deliverable on a standalone basis and can deliver substantial benefits themselves in terms of culture and tourism; and
 - (c) RCBC sells or otherwise disposes of its interests in these assets at a future date – this is considered very unlikely but will be addressed in the funding agreement with RCBC.
23. Conversely, the risk of not delivering this project is the missed opportunity to deliver the revitalisation of this key element of the estate programme as a significant leisure and tourism attraction in the region and the wider North East, with all the additional benefits that would bring to the region, in line with our current City of Culture ambitions and timetable.

CONSULTATION

24. RCBC will be undertaking consultation on the development of the site through its normal consultation and planning processes.

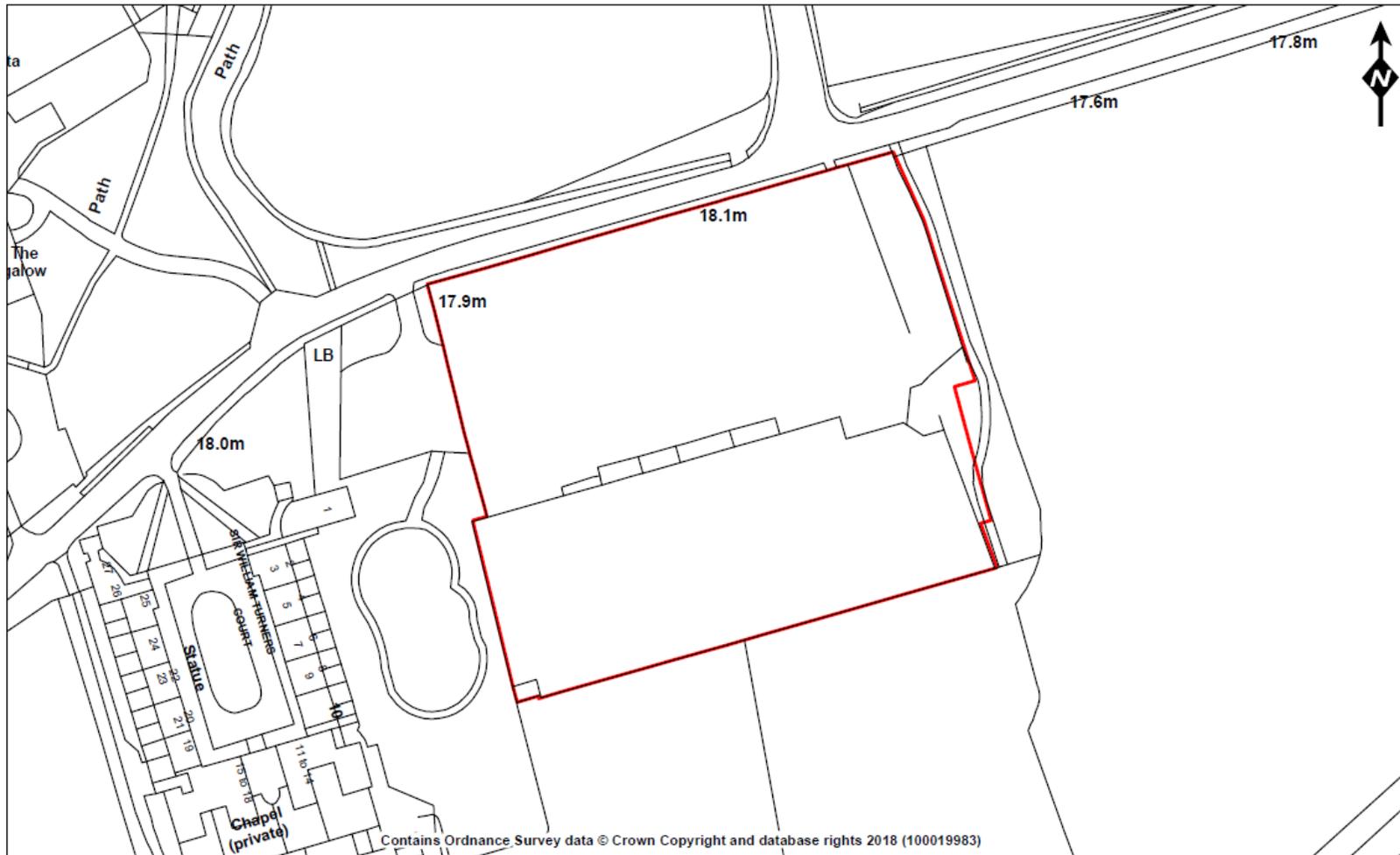
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ANNEXE A – Site Plan



KIRKLEATHAM WALLED GARDEN SITE PLAN

Date: 15/01/2018
Drawn by: BS
Scale = 1:1,250
DWG No: N/A