

HISTORIC SCOTLAND BOARD

MAVISBANK HOUSE

Purpose

1. This paper follows the Board's last consideration of Mavisbank in December 2007 (HSB 37/07). At this meeting, the Board noted a progress report and agreed the general proposition that the key requirement was to remove uncertainty from the market by resolving the ownership soon and identifying funding, improving the chances of a market led-solution. Prior to that, the Board's last discussion was in June 2006 (HSB 15/06), which led to the commissioning of the DTZ report.

Decisions/Actions required of Historic Scotland Board

2. The Board is asked to consider the choice offered at paragraph 33.

Key information the Board will need to support its decisions/action

Consideration of DTZ Report

3. The analysis below builds on the DTZ report, reflecting further internal discussions.

4. DTZ noted that the Board of HS must take into account three factors in reaching its view: **public benefit; heritage benefit** and **opportunity cost** (p vii). The DTZ report further highlighted that "options to save Mavisbank must be based largely on heritage rather than a public benefit case" (p v), where DTZ defined "public benefit" narrowly to mean numbers visiting and the quality of their experience (p18). DTZ added "the Board's assessment of the uniqueness of Mavisbank in heritage terms is therefore critical": the Statement of Significance for Mavisbank is therefore a key document in this decision (Annex A).

Overall aim

5. We believe that the best long-term outcome for the building would be to see it put back into use. The analysis in the DTZ report (section 5) points to a single domestic residential unit being the most sustainable solution; the commercial models identified at present all appear to be too marginal to create a secure future for the building. But the precise use does not need to be resolved now.

6. We think Mavisbank would be problematic to manage as an empty PiC, given its location and nature, as well as creating continuing maintenance and security costs. However, we would need to accept that any significant intervention at the site would create a possibility that HS would in practice end up caring for Mavisbank long-term: this is considered further at paragraph 28 below.

Rejected Options

7. In line with earlier papers presented to the Board, the SMT continues to believe that we could not defend **abandoning now any attempt to retain the building** in some form, even though abandonment of the site (and at the most extreme, demolition) could be expected to be the least costly option. A proposal to demolish it now would fail the normal tests we apply to applications to demolish listed buildings, because other options have not been properly explored and exhausted.. The DTZ report was informed by this assumption.

8. We have also considered DTZ's "**consolidated ruin**" option and discounted that as an option to pursue in its own right. Although this option is estimated by DTZ to cost £2.0 million less in capital works than the "developer's shell" considered below, it would carry ongoing maintenance costs with an estimated 30-year NPV of around £0.25m¹, for a far less satisfactory outcome; and it is difficult to see that any other partners could be interested in a project with this aim.

9. In addition, the HS Senior Management Team has concluded that the option which lies at the other extreme - **complete restoration at public expense** – also should not be considered further in any depth. The DTZ Report estimated this option might be expected to amount to around £14m in capital costs (excluding £1.42m in landscape costs). We do not think the cost of this can be justified in terms of VFM, on the basis that we should not take any intervention beyond the point where the private sector might be willing to come in and do any further work.

Generic issues

10. There are a number of overarching issues to note as context for the discussion.
- a. **Ownership:** we will need to take action to acquire a title to the property if we are to commit any significant investment, as at option 2. As the Board will be aware, we have been looking into the practicalities of this; the likely costs and risks attached to this process appear manageable.
 - b. **Access:** DTZ identified £1.95m (para 6.3) for access and parking for any option other than stabilisation. We believe that this could be reduced and that these costs should fall into the range **£0.5 - £1.0m**. But we also believe that to undertake either of the options discussed below, we will need a new access route. The cost of improving basic access should therefore be regarded as unavoidable for either option below.
 - c. **Health and Safety:** regardless of ownership, our existing presence on the site means that we already have to accept responsibility for health and safety at Mavisbank. Any extra costs required here need to be treated as unavoidable regardless of what we decide at this meeting.
 - d. **Enabling development:** on the basis of the DTZ report the SMT is not persuaded that there is sufficient prospect for enabling development to make a significant difference to the costs of work on any of the options discussed below.

¹ For confirmation at meeting

- e. **The Policies:** the discussion below focuses on the house and its curtilage. The policies are in HS ownership. While an ideal comprehensive package to retain Mavisbank would include major expenditure on restoration of the landscape, and DTZ envisaged limited works on key features in that landscape, we do not think investment even at the level suggested (£1.25m) is essential. Even though an important element of the house's merit lies in its relationship with the landscape, given resource constraints we believe that the preservation of the house should be prioritised, with HS's expenditure on the landscape in the foreseeable future limited to what is absolutely essential to support that. We suggest assuming a minimum amount of **£0.25m**, accepting that Option 2 would require some further additional spend.
- f. **Other players:** we have had further exploratory discussions with the HLF. The HLF's budget for new awards across the UK will fall from an average of some £325m in recent years to £180m in 2009-10. Competition for HLF funds is already sharp and, given the HLF's approach to public value and its emphasis on funding only projects with specific outputs that meet the Fund's criteria, we do not think it is realistic to expect the sort of works we might undertake at Mavisbank to be successful in competition with other projects. As noted at the last meeting, once we can be clearer about our intended end-point, we may however be able to have more effective discussions with other potential partners (the local authority; public, private and charitable funders; developers). Nonetheless, we think our planning should be based on the assumption that the costs will fall largely on HS.
- g. Mavisbank is both a listed building and a scheduled monument. We would clearly need to be able to demonstrate that any intervention was consistent with the Minister's policies on **consent**.
- h. Because of the sums at issue, HS will need to seek the Minister's agreement to its proposed way forward

Possible Options

11. We believe that the Board should concentrate on two options: a minimal intervention to stabilise the building ("stabilisation"); and a much more extensive project aimed at taking the building to a point where there is some likelihood of being able to pass the building to a developer for completion ("the developer's shell").

Project lead

12. We have assumed that either would be run as a Historic Scotland project. As discussed at the December Board meeting, there is the theoretical possibility of passing the building to a Trust to manage the work, opening up the possibility of funding which might not be available to ourselves. On balance, we think that in this case the benefits of managing the risks directly outweigh the likely benefits in practice of passing the management of the work to a Trust, and that the savings in passing to a Trust would not be significant, but that is a point the Board may wish to test further.

Option 1: Stabilisation

13. The purpose of this option would be to slow down the deterioration of the structure, without committing large sums from HS. The hope would be that with ownership and access to the property resolved, and in a more favourable funding climate, it might in a few years time be possible to proceed with bringing the property back into use at less cost to HS. But it would also leave open the option in a few years' time, if restoration proved unaffordable and marketing proved unsuccessful, of moving to recording and demolition.

14. This option would produce a stabilised version of the status quo, with no change to levels of interpretation or public access. It is a slightly developed version of the DTZ stabilisation option, produced in internal discussion of the DTZ report. It would involve placing new scaffolding (fulfilling both structural and access functions) throughout the building; and repairs to structurally defective masonry. The main differences from the DTZ version would be: including a flat roof on scaffolding; and blocking up windows and doors. Fencing of some sort would remain in place. This option would require minimal work on the landscape, in terms of basic clearing and drainage improvement.

Costs

15. DTZ estimated £1.15m for capital costs (2007 prices), on a model excluding a roof or access expenditure, but including cyclical maintenance works over 25 years and more extensive landscaping works than we would propose to undertake.

<i>Capital estimate (all HS figures):</i>	<u>£m</u>
Scaffolding and stone work	0.6
Flat roof on scaffolding/infill of windows	0.2
Minor landscape works	0.25
TOTAL CAPITAL <u>excl access</u>	c1.0

Plus:

NPV of maintenance (30 years)	0.25
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16. Combining the immediate capital costs and NPV of maintenance, this option would therefore cost around **£1.25 million**, plus **£0.5- £1.0m for access**.

Risks

17. **That the building deteriorates further** despite this intervention; that no further significant intervention is made; and that in, say, 10 years' time it requires to be demolished. We estimate demolition would cost our successors **£0.6m**.

18. **Presentational:** A minimal intervention which only slows deterioration of this significant building is likely to be controversial. It could only be defended on the basis that the costs (including opportunity costs) and risks attached to the developer shell option were too great in

relation to the benefits. Arguing that “it was not worth that much “ or that it will be easier to attract outside funding in the future is never easy.

Option 2: Developer’s Shell

19. As with the previous option, this would involve new scaffolding (fulfilling both structural and access functions) but this would eventually be stripped out. It would involve comprehensive masonry repairs, permanent internal bracing and a proper roof, curved on the original profile. There would be joinery windows and doors. Some internal structure would be needed which enabled potential developers to access the building internally at different heights, to consider outward views, for example. The fence would be retained *pro tem*. To reduce risk to the developer, some further work to the landscape, to increase the attractiveness of the setting would also be needed. Also to reduce developer risk, this option would require a planning brief to be prepared and it would also carry marketing costs. Any transfer into private hands would need to be accompanied by an obligation for some public access, although this would inevitably be fairly restricted. Of other works which *could* be included, bringing services to the site would be the most costly (see para 28 below) and only worth doing if it is essential to market the building successfully.

Costs

20. The DTZ report estimated that this option would cost £6.2 million (2007 prices) for works on the villa, with access and landscaping amounting to a further £3.5 million. We would plan to reduce expenditure on these last two significantly.

<i>Capital estimate:</i>	<i>£m</i>
Villa (DTZ)	6.2
Landscaping (HS)	0.25+
Misc (DTZ)	0.1
TOTAL CAPITAL <u>excl access</u>	6.55+

21. These figures include no contingency and probably too little for miscellaneous costs, such as marketing, planning brief, legal fees. Taking that into account, and inflation, plus access costs of **£0.5-1.0m**, in practice we would probably want to budget nearer **£8.5-9m**.

22. This estimate is based on the work being undertaken by private contractors (with HS management). We could instead undertake this work using our own labour, which would be expected to offer some significant savings (up to around **£2m**) principally in terms of VAT and fees. However, PiC estimate that labour constraints (ie limits on stonemason recruitment) mean that the work could not be done in less than 8 years, and even then they would not be confident of managing it in that time. A key factor here will be the building’s expected rate of deterioration. We cannot make a definite assessment of that, but the visible deterioration in the past few years suggests that there would be real risks in trying to spread this work over a large number of years. We think that we should plan to complete this option more quickly than PiC could manage - ideally within no more than 6 years, and that therefore we should plan on the basis of delivery through private contractors (who would be able to compete more effectively in the specialised

labour market for stonemasons).

23. We expect to have to find the costs of any work at Mavisbank from within existing budgets and **there would therefore be significant opportunity costs (see Annex B) with this option, which the Board needs to consider very carefully if it is minded to choose this route.**

24. Under this option there should be a sales receipt, but given DTZ's analysis below, we do not think we should rely on that making a significant contribution: the costs will all have to be met before we can have any certainty about off-setting income.

Risks

25. This option carries some significant risks, which the Board needs to consider.

26. DTZ expressed significant reservations about the VFM of this option, adding "the commitment of public funding must [in this case] proceed in tandem with developer interest and commitment" (para 7.3.4). The difficulty here is that until we commit, it is difficult to have any meaningful discussions with developers.

27. DTZ identified the key risk with this option as failure to find a developer willing to complete the project to full restoration. They took the view that this was likely to be a problem, identifying a £1.4 million "funding gap". How far we share that analysis should be a key issue in deciding whether this option should be pursued. We understand that the Mavisbank Trust, for example, drew more optimistic conclusions from its own contact with estate agents. We are having further exploratory discussions to follow up the DTZ work, but we need to accept that in going down this route, we would be in a very unpredictable situation, particularly as we would not be bringing the property to the market for several years. We have not explored further what realistic possibility there might be for a trust to take on the property at this point as an alternative to a developer: but we would be reluctant to assume that that could be achieved at zero additional cost.

28. The costs of failure to find a developer willing to take on the final stages of the work will be either:

- having to grant-aid a third party to take on the building: the DTZ analysis suggests a risk of around **£1.4m**; or
- keeping it in our care as a PiC. We estimate that the 30 year NPV of maintenance by HS of a developer's shell would be £0.25m². This excludes any security costs, which might be higher for a building in which more has been invested. These figures also exclude any expenditure we would feel obliged to make on greater access and interpretation, even if Mavisbank were managed on a relatively low-key model. If Mavisbank became a long-term PiC, the sort of minimal spend envisaged on the policies in either option above would probably not be sustainable. The figures also exclude the cost of maintaining services, if these were put in (probably around £1-2k a year).

² For confirmation at meeting

Either way, it would be prudent to be prepared for significant additional contingencies.

29. Other risks include:

- a. **Higher than predicted costs; timetable slippage:** it will be difficult to set a contingency figure for the initial budget. Mavisbank is in a very ruinous state and experience with our grant scheme suggests costs could rise once work begins on site; similarly the complexity of the work means that there is a risk of the project over-running. Shortage of skilled labour could also cause delays. If services needed to be installed to make the building transferable, that would carry significant further costs; Hardies estimated this for DTZ at over £1.0m, although this should reduce pro rata the potential developer “funding gap” described above.
- b. **General pressure to do more to the policies:** we have assumed that we can defend a reasonably minimal intervention in the policies. But these are a significant element of Mavisbank and the more engaged we are with the house, the greater the pressure is likely to be to invest further in the policies, more closely in line with DTZ's £1.95 million. Other bodies (eg Midlothian Council, the Edinburgh and Lothians Greenspace Trust) may be more interested in this element.
- c. **Presentational:** Investing such a considerable sum in Mavisbank in place of other projects, particularly in more visible and visited locations, and particularly with the end aim of placing it in some form of private ownership, is likely to be controversial and we would need to be confident that we could robustly defend this choice, and that Ministers were supportive.

Advice and Conclusions

30. Mavisbank remains a very difficult challenge for HS and raises a fundamental question about what the Agency’s role should be in preserving such a significant building when no other organisation is likely to be able to do so.

31. DTZ concluded that: “the Board must decide whether Mavisbank is worth saving based on heritage grounds alone. Only if it can justify the heritage benefits and demonstrate a value-for-money argument should one of the high cost solutions be pursued. If not, then it has to exit from Mavisbank or stabilise the villa.” (p vii). The VFM argument for option 2 would have to be that, provided a partner developer is found, this option appears to be the only one which would create a long-term sustainable future for Mavisbank, at no ongoing cost to the public purse, and which would preserve well its surviving historically significant features for future generations.

32. In the view of the SMT, the choice before the Board is therefore:
- a. To opt for the most minimal worthwhile intervention we can identify, which does not provide a long-term solution, but is more easily affordable and slows further deterioration;
- or
- b. To make a much more expensive intervention, at significant cost and potential risk (presentational, practical and financial), justified on the building's unique importance and our unique role.
33. The Board is invited to note the discussion above and decide which of these options it wishes to pursue.

Policy Group
April 2008

HSB 15/08: ANNEX B

Annex B has been withdrawn under the terms of section 30 of the Freedom of Information (Scotland) Act 2002 (Prejudice to effective conduct of public affairs), as set out in the agency's Publication Scheme.