

## EXECUTIVE

### 15<sup>th</sup> September 2022

<b>Report Title</b>	<b>Knuston Hall</b>
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<b>Lead Member</b>	Councillor Graham Lawman, Executive Member for Highways, Travel & Assets

<b>Key Decision</b>	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
<b>Is the decision eligible for call-in by Scrutiny?</b>	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
<b>Are there public sector equality duty implications?</b>	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
<b>Does the report contain confidential or exempt information (whether in appendices or not)?</b>	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
<b>Applicable paragraph number/s for exemption from publication under Schedule 12A Local Government Act 1972</b>	Paragraph 3

#### List of Appendices

- Appendix A** – Site Plan of Knuston Hall
- Appendix B** – Heritage Impact Assessment
- Appendix C** - Planning Appraisal
- Appendix D** – Options and development appraisal

#### 1. Purpose of Report

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- 1.1. This report seeks to advise the Executive on options for the use of Knuston Hall, and consideration of the recommendation and next steps.
- 1.2. Knuston Hall is an adult learning residential college that was closed as part of the government response to the Covid 19 pandemic. It briefly opened in 2021 with heavily restricted guest numbers until it closed again in January 2022 following reports of safety concerns with the building, prompting a review of the building, the business operations, and potential alternative uses.
- 1.3. This report summarises the outcome of the review and confirms that the site cannot be opened to offer sleeping accommodation (which forms the main part

of the Hall's use and part of the revenue business model) without significant revenue and capital expenditure to bring it to standard.

## **2. Executive Summary**

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- 2.1 Knuston Hall is a Grade II listed heritage asset and until recently used as a creative course and event centre, to include overnight accommodation for attendees and tutors.
- 2.2 Statutory compliance surveys conducted in late 2021 and early 2022, confirmed that the Hall requires significant statutory compliance improvement work and that the current configuration for accommodation is not compliant with the fire regulations.
- 2.3 As a result of the concerns raised in the reports, and following consultation with fire safety advisors, a decision was taken by officers to close the site and temporarily redeploy staff, whilst the council obtained further information on the Hall and its operating model, including obtaining detailed reports of condition and reviewing the business model and accounts.
- 2.4 To assist the Council with the review external consultants were procured to undertake a high-level planning, heritage, options and development appraisal, found in **Appendices B-D**. Council officers including building surveyors, asset management surveyors and facilities management teams also inspected the site and contributed to the review. The Council's insurers have also inspected and approved specialist contractor risk assessments, including asbestos surveys, electrical fixed wire inspections and mechanical reviews.
- 2.5 The Hall requires substantial capital investment in a range of maintenance issues and compliance works if it is to reopen and continue its current use. Although substantial capital investment is required initially, a review of the budgets show that the revenue budgets for repairs and maintenance, and compliance, together with sums for decorations, fixtures and fittings would need to be substantially increased on an ongoing basis to ensure the continued repair of the building.
- 2.6 The increase in maintenance costs affect the viability of the current operating model and it is the view of officers that as a result the market is extremely unlikely to commit to bearing the uplift in prices required to cover the costs and ongoing reinvestment.
- 2.7 The Asset Management team have led a review of initial options for alternative uses of the Hall, including a heritage impact assessment, planning appraisal and options and development appraisal. The options assessment is annexed to this report.
- 2.8 Given that the options appraisal confirms the limited potential for development of the Hall, the recommendation of officers is that the Hall be marketed for sale. The specialist nature of the Hall lends itself to private sector development. A private sector developer would be in a strong position to conduct a specialist

assessment to balance the investment required with options for higher returns that would create a sustainable model and viable use. As the Hall has protected Grade II Listed status any proposed use would be considered through the planning process; conditions could be applied to a planning consent to preserve the heritage status of the Hall.

- 2.9 Planning Policy and English Heritage confirm that a heritage asset should have a viable use, even if that use is not in the public sector. It is therefore considered that in the interests of preservation and restoration, the Hall should be determined as surplus to Council requirements and the site should be marketed for sale on the open market. This approach would support the Council gaining a capital receipt for the asset and preserve the future of the Hall.
- 2.10 If the Hall was sold, staff delivering services from it would be at risk. It is anticipated, however that the Council is in a position to offer suitable alternative employment to them, therefore, avoiding redundancy.
- 2.11 The value of the site is nominal due to its condition, but a marketing campaign would aim to attract a viable use and there would be scrutiny of the funding and business model to ensure the buyer has the funds to invest in and maintain Knuston Hall.
- 2.12 The Council is committed to supporting heritage assets. Chester House Estate is circa three miles away from Knuston Hall and could provide an alternative option for courses and conferences. There is limited accommodation at Chester House, but it is easily accessible to Rushden and Wellingborough where a mix of accommodation is available, although public transport is limited.

### **3. Recommendations**

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- 3.1. It is recommended that the Executive:
  - a) Approve the preparation and launch of a marketing campaign to offer the site for sale on the open market.
  - b) Delegate authority to the Executive Member for Highways, Travel & Assets in consultation with the Assistant Director of Assets & Environment to authorise the completion of the land sale and finalise sale terms.
- 3.2. Reasons for Recommendations
  - Knuston Hall is a Grade II listed heritage asset, which is currently run as a residential adult learning centre within the Assets & Environment service. It has, until recently, provided conference facilities and short courses. Significant capital and revenue investment required in the hall combined with a limited market demand has meant that the Hall's current use is no longer viable.

- As a Grade II listed heritage asset, the Hall is protected through planning, associated heritage land and property policy. The Council will, therefore, as the Local Planning Authority continue to regulate development of the site.
- The asset requires significant investment and, without a viable local authority use, it is not considered value for money for North Northamptonshire to invest the required substantial sums of public money in the asset to bring it up to standard.
- The Council supports Chester House Estate, which is less than three miles away from Knuston Hall, and this could provide an alternative location for conferences with accommodation located close to the Estate.
- There is opportunity to redeploy the staff employed at Knuston Hall to suitable alternative employment within the Council, following a consultation process; a redundancy situation does not therefore arise.
- Whilst the council provides an Adult Learning service as part of its core business, the residential service provided at Knuston Hall is separate to this and running a hotel service is not part of the Councils core business.

### 3.3. Alternative options considered:

- To use the site for alternative Council uses, such as a public care home. As the building is in need of significant investment, will not comply with regulations for such uses and has, limited development options imposed by the heritage status including development, it is unlikely that substantial changes could be made to bring it up to the required standard. Funding for this use would also not be viable
- The site has only limited infill residential development opportunity and the existing accommodation is not suitable for residential use without substantial adaptations, which are unlikely to be granted due to its heritage status. Service charges would be high and there is limited public transport. It is not suitable for Council housing use.
- The site could be continued to be operated as a residential learning centre, under the current business model, however, as detailed in the report and appendices, this would require significant upfront and ongoing investment in the building and the business model, which would not be viable in terms of budget income based on previous years.
- Options have been considered for alternative Council uses but without substantial funds the Council can only sustain a limited number of heritage assets and without a viable use it is not in the public interest to commit funding to Knuston Hall

## **4. Report Background**

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### **4.1 Property**

- 4.1.1 Knuston Hall comprises a large Grade II Listed House with a further mixture of period and more modern 'rural conversion' style buildings, providing an attractive estate, set within substantial landscaped grounds. Although closed, its use prior to closure was as a residential training centre, with adjacent agricultural land. It is located in open countryside between Rushden and Wellingborough.
- 4.1.2 The various buildings provide up to 100 bed spaces for visitors and staff, in single/twin rooms, mostly with ensuite facilities including 'pod' ensuites. There are public lounges, a bar, a dining room, conference and meeting rooms, teaching rooms, a laundry block, catering kitchen, plant and machinery and storage. The main house retains several period features including oak panelling, feature staircase, beamed ceilings and decorative plaster work.
- 4.1.3 The property occupies a site of approximately 2.975 (7.34 acres). The Council also owns 11.838 hectares (29.24 acres) of agricultural land adjacent to the site, which is leased to an adjoining farmer.

### **4.2 Current Use**

- 4.2.1 The centre provides residential and day adult learning course, run separately to the Council's Adult Learning services by the Hall's Centre Manager and team. Historically, there were agriculture and associated courses such as thatching, but these dwindled as people were attracted to the larger educational institutions. It also used to host conferences and large meetings for Northamptonshire County Council (NCC) and other businesses, but these were reducing and NCC stopped using it due to budget cuts.
- 4.2.2 The courses and presentations that continued to be run at the centre included embroidery, beadwork, painting, foreign languages, musical performances, and lace making.
- 4.2.3 The reports commissioned as part of a review of the hall have confirmed that significant and costly changes to the accommodation would need to be made before the sleeping accommodation can be reopened. Statutory compliance work would also be required to various parts of the building in order to allow public events to be held at the Hall. The review further confirms that being unable to offer overnight accommodation impairs the Hall's operating model and revenue budgets for the centre, therefore, the Hall currently remains closed.
- 4.2.4 As part of the review, a Planning Appraisal was commissioned to consider planning policy and market demand in general, to provide a high-level guide to inform the Council on alternative uses for the Hall.
- 4.2.5 There are some ideas for use in the planning appraisal, it concludes: -

*“The site offers a variety of opportunities for securing the optimum viable use of the listed buildings, but there is little opportunity for additional built development if this would undermine the parkland setting of the building which is part of its historic significance”.*

4.2.6 The Development and Options Report at **Appendix D** concludes that considering alternative uses for the building would trigger a range of works which would make the property financially unviable. It also confirms that educational operator requirements, where they do exist, are typically for new and efficient buildings, and that sale of the property should be considered. Doing so with the intent of securing investment from a private buyer would secure the future of the building.

### **4.3 Listed Building and Heritage Status**

4.3.1 As confirmed in the Heritage Appraisal, Knuston Hall and the attached outbuildings are Grade II listed, the listing not only includes the fabric of the building, but also ornate plasterwork found in the main hall. The surrounding parkland setting is considered historically important.

4.3.2 The report states that there may be some development and improvement in the courtyard area, but the grounds themselves have a high level of protection limiting development opportunities.

4.3.3 Section 16 of the National Planning Policy Framework contains policies for conserving and enhancing the historic environment, all of which are relevant to Knuston Hall, however, specifically to Paragraph 202. “Where a development proposal will lead to less than substantial harm to the significance of a designated heritage asset, this harm should be weighed against the public benefits of the proposal including, where appropriate, securing its optimum viable use.”

### **4.4 Operational Costs**

4.4.1 The property condition and compliance reports confirm that a significant amount of work is required to be completed before the Hall can re-open. Much of the finishes are dated and today’s consumer requires high standards, so regular reinvestment in the finishes would be required to attract and retain customers.

4.4.2 A review of the budgets prior to Covid 19 confirm that the budget was balanced with a small amount of circa £5,000 income achieved each year, with £909,600 of sales income forecast against a budgeted expenditure of £903,000.

4.4.3 Further analysis shows that the budget apportionment had not provided for sufficient repairs, maintenance, and compliance costs in the revenue budget. Staff, Tutor and Catering costs made up 82% of the operational budget costs, leaving fabric, repairs, and maintenance costs at 1% and Utilities at 4%. Utility and material costs have increased significantly since the property has been closed.

- 4.4.4 There was no money in the budget for replacement of finishes such as beds, linen, restaurant fixtures and fittings, carpeting, redecorations, etc. A recent update of the dining hall was only possible due to volunteer contributions and donations.
- 4.4.5 Eddisons Chartered Surveyors, a national property advisory firm were procured to advise the Council on viability and options. Eddisons practice in many property sectors including charities, retail, leisure and the public sector. They advised the Council that the residential education use (before closure) was no longer viable and that there would be a very limited market demand even in an improved state of repair.

## **4.5 Capital Costs**

- 4.5.1 A condition survey was completed in 2020; the focus was on the fabric of the building, with limited comment on the mechanical and electrical fixtures, these are covered by way of assumptions. The survey identified that the Hall had a significant back log of outstanding repairs. The survey estimated £798k in year 1 and that a budget cost of circa £100,000 per annum would be required for ongoing maintenance works for the next 9 years. In addition, there are statutory compliance works that have been identified as part of the compliance review (section 5.6 below), which will require a budget figure of £250,000 to immediately remedy items such as fire safety and electrical wiring works, with ongoing revenue cost impacts to maintain a compliant building. The above figures do not include any professional surveys, planning and heritage reports and project management costs associated with the works.
- 4.5.2 As a listed building constructed with materials that are rarely used in modern buildings, specialised craftsmen and professionals would need to be procured to undertake even the most minor of repairs. The budget costs in 5.5.1 is based on visual inspections, with provisional sums for roofing and mechanical and electrical works. Due to the age of the property and its heritage status, there is every likelihood of more costs being uncovered when specialists conduct intrusive surveys.
- 4.5.3 Added to this, inflation continues to impact the cost of materials and it is likely that the guide price for the immediate capital works has increased, therefore, the estimate in 5.5.1 should be treated with caution as there have been no tenders for any of the required work.
- 4.5.4 The costs identified above do not include capital investment in the building fixtures, such as replacing the guest bedroom washroom pods (currently requiring regular maintenance to keep operational) and replacement of the commercial kitchen during this time. No provision for significantly improving the energy efficiency of the building has also been allowed in the above figures. This investment in energy efficiency and building fixtures would be vital to maintain the business model of the centre if it were to continue.
- 4.5.5 The above estimates are also likely to be too low due to current inflation and materials costs increasing and, again, do not consider professionals fees and surveys. The Council would need to provide for an ongoing annual capital sum

to be factored into the capital programme, along with the separate revenue budget for maintenance.

## **4.6 Compliance Reports**

4.6.1 Since obtaining the condition survey the facilities management team have procured a series of compliance reports including fire risk assessment, asbestos survey, water hygiene report and electrical report. These confirm that there is significant Health & Safety compliance work to do before the site could reopen and that the costs for this work are considerable. Added to this some of the works would require planning permission and listed building consent so an allowance should be provided for fees.

4.6.2 Insurers have inspected the property and issued a report confirming improvements that would be required before the site could reopen. Without significant capital funding and projects works completed, the council is not able to re-open the building for overnight accommodation or for daytime events with the public attending.

## **5 Issues and Choices**

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5.1.1 As highlighted in the report there has been a review to understand options for the Council to continue to use Knuston Hall. Without substantial funds and with little opportunity to intensify development, officers do not consider that there is an alternative viable use for the Hall which the Council can operate.

5.1.2 English Heritage and national planning policy confirm that the viable use is the preferred solution for historic buildings.

5.1.3 Private residential retirement accommodation, corporate headquarters, conference facility, and or private hotel and spa may be alternative uses, but with heritage protections any works would take time to research, cost, programme and execute, the holding period could be several years.

5.1.4 It is unlikely that any public sector use would be viable at Knuston Hall, although with marketing it may be attractive to a charitable use, however, the charity would need access to substantial funding and a viable business model if they were to be given serious consideration.

5.1.5 Whilst the Council provides an Adult Learning service as part of its core business, the services provided at Knuston Hall were separate to this. The Knuston business model focuses on the provision of overnight accommodation and dining and, as such, the Council is running, in effect, a hotel for a limited number of guests. Arguably this is not the Council's core business and exposing itself to the risk of running such a business puts wider service delivery and resources at unnecessary risk. Disposing of the asset at market value would mitigate the ongoing risk and need for investment in the asset.

5.1.6 The Council owns 29.24 acres of farmland adjacent to the site, let on a business farm tenancy paying £2,200 rent per annum. It is proposed to retain this land



interest, pending evaluation of the buyers that come forward for Knuston Hall and a review of any strategic value in retaining the land.

- 5.1.7 Forty staff (headcount) are employed to operate the facility, being a mixture of permanent, zero hour and casual contracts. Since closure most of the staff have been redeployed to cover vacancies across the Council. There are further opportunities for re-deployment for staff and no redundancies are planned should the Council divest its interest in the site.

## **6 Next Steps**

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- 6.1.1 A marketing campaign would be designed and procured through the assets team, in consultation with the Executive Member for Highways, Travel & Assets and the Assistant Director of Assets & Environment.
- 6.1.2 The site would be marketed, with the Executive Member for Highways, Travel & Assets in consultation with the Assistant Director of Assets & Environment, authorised to complete the land sale and finalise sale terms, which will be subject to obtaining best consideration. It is intended that the sale should complete by the end of the current financial year to mitigate the holding costs of the asset.
- 6.1.3 If the recommendations are approved, relevant staffing implications will be managed.

## **7 Implications (including financial implications)**

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### **7.1 Resources, Financial and Transformation**

- 7.1.1 The closure of Knuston Hall has resulted in a full year budget pressure for 2022/23 of £709k, which has been mitigated in part, through the use of a reserve this year.
- 7.1.2 The pre-covid budget figures, which still stand for 2022/23, are provided at 5.4.2. After accounting for the business running costs, as budgeted, a small surplus in the order of £5,000 was generated each year. As detailed in the report, the existing budget allocated to maintenance and utilities would have to increase to run the building in a compliant way. Whilst expenditure could be reallocated within the budget, this would result in a reduction in the income brought in from operating the residential learning courses. Sale of the building would result in a £5,000 pressure, assuming business returned to pre-covid levels, however, the sale also mitigates significant capital and revenue investment in the building.
- 7.1.3 The income as set would not support the amount of expenditure identified, nor the ongoing increased allowance identified, as detailed in section 5.5. The proposed recommendation will mitigate the costs the Council would incur if it retained the building.

## **7.2 Legal and Governance**

- 7.2.1 A report on title confirms the Hall to be owned by the Council with no restrictive covenants on alternative uses.
- 7.2.2 Provision of an Adult Learning Centre for the courses offered with associated hotel, is not part of the council's statutory service provision. These needs would be met via alternative offer.
- 7.2.3 Legal services will be instructed in the preparation and execution of the legal sale documents.

## **7.3 Relevant Policies and Plans**

- 7.3.1 These proposals will assist the Council in meeting its commitments in the medium-term financial plan by reducing the risks of increasing unplanned costs. A sale would also result in a capital receipt.
- 7.3.2 The property remains closed and bringing the site forward for sale will result in an increased likelihood of investment in the property, to bring it back into use, possibly as a business, residential or care opportunity, which supports the Council's priority of safe and thriving places.

## **7.4 Risk**

- 7.4.1 The Hall is closed and insurers have been assisting the Council to mitigate the holding risks associated with a vacant property such as trespass and arson.
- 7.4.2 The costs include security patrols, removal of contents, shutting off utilities and regular site visits by officers. Even with the steps taken to mitigate the risks of arson and other damage, insurers have imposed a significant excess to be paid by the Council should an insured risk occur.
- 7.4.3 The risks of damage increase for each month the site is held and, therefore, the marketing campaign should be for a fixed period of no more than three months with a view to selling the asset as quickly as practicably possible.
- 7.4.4 Having a fixed period of marketing will support the mitigation of holding costs and risks of damage to the property. The timeframe will also comply with the Council's obligation to market the site to determine best consideration.
- 7.4.5 With the site shut down of welfare facilities it is not possible to open the site while it is being marketed.
- 7.4.6 There is a risk that the market does not come forward with a suitable buyer. At that point, the Council could re-evaluate the focus of the marketing strategy. Subject to the buyers that come forward, the Council could also consider the inclusion of the associated farmland, and any value that holds.

## **7.5 Consultation**

- 7.5.1 The Hall and grounds are not public open spaces, their use restricted to fee paying events and courses. Consultation on change of use would be through the planning system irrespective of ownership, so members of the public would be consulted as part of this process.
- 7.5.2 Ward Members would be consulted as part of the marketing process.

## **7.6 Consideration by Executive Advisory Panel**

- 7.6.1 This report has not been considered by the Executive Advisory Panel.

## **7.7 Consideration by Scrutiny**

- 7.7.1 The report is eligible for call in by the Scrutiny Commission.

## **7.8 Equality Implications**

- 7.8.1 An equality assessment form has been completed and confirms no negative impact

## **7.9 Climate and Environment Impact**

- 7.9.1 The Council, having declared a climate change and environment emergency in June 2021, is committed to reducing its climate impact both within its own Council buildings and in working with businesses and the wider community to achieve net zero energy emissions. Disposal of the building would directly reduce the Council's carbon footprint.
- 7.9.2 Any works to the building would need to consider Part L of the building regulations (conservation of fuel and power) and these would be included in the recommendations of an Energy Performance Certificate (EPC) report, if one is obtained. If such works would unacceptably alter the buildings character or appearance, then the listing building would qualify for an exemption to the EPC regulations.
- 7.9.3 This may result in the continued use of carbon fuels for heating, but, any owner would need to consult with planning and building regulations as part of their plans.

## **7.10 Community Impact**

- 7.10.1 The Hall was hired by training course providers and events. The community would pay for this and the accommodation. Whilst this will no longer be provided by the Council, Chester Hall Estate, which is in close proximity to

Knuston Hall, would provide an alternative option for the community and has already hosted some of the courses which would have been held at Knuston Hall.

### **7.11 Crime and Disorder Impact**

7.11.1 The development will have no direct Crime and Disorder Impact.

## **8 Background Papers**

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8.1 There are no background papers.