

Corporate Policy and Strategy Committee

10am, Tuesday, 25 March 2014

Riddle's Court and 4-6 Victoria Terrace, Edinburgh

Item number

Report number

Wards

11, City Centre

Links

Coalition pledges

[P1](#), [P15](#), [P28](#), [P30](#)

Council outcomes

[CO2](#), [C07](#), [CO8](#), [C019](#)

Single Outcome Agreement

[SO1](#), [SO3](#)

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Executive summary

Riddle's Court and 4-6 Victoria Terrace, Edinburgh

Summary

Previous Council decisions have authorised the lease of Riddle's Court to Scottish Historic Buildings Trust (SHBT) for a 99-year period at a peppercorn rent. The lease is subject to SHBT securing grant funding for the redevelopment of the property, which has now been achieved.

Riddle's Court is joined to another Council property, 4-6 Victoria Street, which is leased to a Youth Cafe (commonly known as 6VT). The original proposals did not envisage this element of the property being included in the proposed lease to SHBT. However, in order to deliver the project, and release the funding, the area is required.

This report sets out the current situation and seeks authority to assist 6VT to relocate with the provision of a new property and financial aid towards fit out costs and future rent.

Recommendations

That Committee:-

- 1) Notes the previous decision of the Children and Families and Finance and Resources Committees to grant a 99-year lease of Riddle's Court to SHBT at a peppercorn rent and restates its commitment to the restoration project at Riddle's Court.
- 2) Notes that SHBT has secured Heritage Lottery Funding for redevelopment of the property and that the area currently occupied by 6VT at 4-6 Victoria Terrace is included in the conditions of the lottery grant.
- 3) Further notes that the Heritage Lottery Fund has granted an extension of their offer with a revised deadline of 31st March 2014 to meet the conditions of the award.
- 4) Recognises the value of the work undertaken by 6VT and the Board's preference to remain in their current premises until suitable alternative accommodation can be secured.

- 5) To note the options and implications set out at paragraphs 2.4 and 2.5, and instruct Council officers to work with 6VT to seek their relocation by 31 December 2014, ideally by mutual agreement.
- 6) To request officers to report to the relevant Committee on the most appropriate mechanism to allow the resources currently allocated to SHBT to be realigned to 6VT to support the cost of capital fit out and rent of their new premises.

Measures of success

- The proposals will see £5.6m invested in one of Edinburgh's historic buildings and preserve its future.
- The proposals will provide new upgraded premises for 6VT at limited additional cost to the Council.

Financial impact

- The proposal will require the current management fee of £44,000 per annum reallocated from SHBT to 6VT. This will be sufficient to raise £300,000 in capital for fit out costs and provide a revenue subsidy of £20,000 per annum for future rent.

Equalities impact

- Subject to the recommendations of this report being approved a full equalities impact assessment will be carried out.

Sustainability impact

- The redevelopment of Riddle's Court will preserve a grade A Listed building for future generations.

Consultation and engagement

- Numerous meetings have been held with senior officials and Councillors and with SHBT and 6VT Board officials.

Background reading / external references

[Report – Education, Children and Families Committee – 15 March 2011 – Redevelopment of Riddle's Court](#)

Report – Finance and resources Committee – 7 June 2011 – Riddle’s Court – lease to the Scottish Historic Buildings Trust

Riddle's Court and 4-6 Victoria Terrace, Edinburgh

1. Background

- 1.1 Riddle's Court is an A-listed 16th Century building located in the Old Town just off a close in the Lawnmarket. The southern elevation backs onto Victoria Terrace and immediately below is another Council property, 4-6 Victoria Terrace. Both properties are shown on the attached location plan.
- 1.2 Riddle's Court was operated as a community centre until 2007 and it is now occupied by the Scottish Historic Buildings Trust (SHBT) on a five year lease. 4-6 Victoria Terrace has been leased since 1994 to the Edinburgh City Youth Cafe Association (commonly known as 6VT) on an annual tenancy. The tenancy runs from 1 April until 31 March each year and can only be terminated on the 31 March each year by giving three months notice.
- 1.3 On 15th March 2011, the Education, Children and Families Committee approved that SHBT be granted a five year lease of Riddle's Court to enable SHBT to raise funds for the refurbishment of the building. SHBT was also granted an option agreement for a 99-year lease, which is triggered by SHBT securing a fully funded capital project for the renovation of Riddle's Court. Committee also approved that for the first five years, or until practical completion of the capital project (up to a maximum period of 10 years), Children and Families will pay an annual management fee to SHBT of £44,000 towards the cost of managing the building.
- 1.4 The lease and option agreement was subsequently approved by the Finance and Resources Committee on 7th June 2011.
- 1.5 6VT works in partnership with the Council providing a range of services to young citizens many of whom are considered to be vulnerable and at risk. As such, the Council gave commitments to 6VT to permit continued occupation following redevelopment. This was reflected in the above reports which stated that 4-6 Victoria Terrace did not form part of the proposed lease to SHBT, however, access to the premises would be required during the construction period. SHBT and the Council would take all reasonable steps to ensure that the Youth Cafe suffers as little disruption as possible. In the event that 6VT relocated from 4-6 Victoria Terrace at some future date, SHBT would have the option to include the property within their lease.

2. Main report

- 2.1 The project is to redevelop the building into the Patrick Geddes Centre for Learning. During the business planning and design stage by SHBT it became clear that the project could not be delivered without utilising 4-6 Victoria Terrace. This was mainly due to the need to install a lift shaft at that level and the resultant impact on that space. Additionally, in order to sustain the financial future of the completed project, the space is required by SHBT for commercial use to generate additional revenue.
- 2.2 Planning and Listed building consent for the full scheme, including the Victoria Street level, was granted on 29 January 2014. On 11 February 2014, SHBT received a formal offer of grant from the Heritage Lottery Fund (HLF) of £3.4m towards their target of £5.6m. This, together with other grants received, means that the project is almost fully funded and can start. The HLF element of the funding can only be released on confirmation that SHBT have secured a long lease of the property, including that element currently occupied by 6VT. The time limit on confirming this can be achieved, to secure the HLF funding, is 31 March 2014 with vacant possession required by 31 December 2014 to allow works to commence.
- 2.3 There have been numerous discussions between the Council, SHBT and 6VT to try and establish a financial and operational solution to relocate 6VT. The Council has proposed a number of alternative properties for 6VT, for example, it could make the former Lismore Rugby Club and Number Shop at 188-190 Pleasance, which are currently vacant, available for let to 6VT to enable its relocation. SHBT also offered to make one of their properties available. To date, no agreement has been able to be reached with 6VT.
- 2.4 There is a strong possibility that, unless a compromise can be reached, the grant funding will be lost. Consequently, the Council has been giving further consideration to the assistance it can provide to 6VT to relocate. The options available to the Council are as follows:-

6VT remain at Victoria Terrace

- This will result in SHBT losing the grant funding and they have intimated that they would walk away from the project. This could allow the Council to sell the asset but it would have limited value in its current condition and impacted by the most valuable part of the building (Victoria Terrace) being excluded.
- A recent building survey, commissioned by SHBT, has identified that immediate repairs are required. These repairs, to the roof and facade, are communal to the building and, in terms of the existing lease, 6VT would be liable to contribute a pro rata share estimated at approximately £170,000. The repairs cost estimates that to bring Riddle's Court into a

good condition, and to prevent any further decay of the fabric (excluding internal improvements/alterations), is in the order of £1.5m.

- Without capital investment in the whole building there is strong evidence to suggest that 6VT will have to relocate in any event in the short to medium term.

Assist 6VT to relocate

- Any new premises will require capital expenditure for fit out. For example, an outline assessment of the cost of fitting out the former Lismore Rugby Club and Number Shop has been estimated at £300,000. The two units have an estimated rental value of £20,000 per annum.
- Both Children and Families and SHBT have suggested that the current £44,000 per annum, currently paid as a management fee to SHBT, could be commuted to 6VT to fund the borrowing costs for fit out with any residue, deemed as a grant, contributing to rental payment to the Council.
- The proposed new premises could offer the opportunity for 6VT to expand and grow their operations, which is not possible from Victoria Terrace.

2.5 In summary, the project to restore Riddle's Court is ready to commence releasing over £5m of investment. For the project to proceed the Council is required to agree to relocate 6VT and include the area they currently occupy into the lease with SHBT. This would ideally be done by mutual agreement. If this cannot be achieved then the Council will need to decide whether to terminate 6VT's lease at the next opportunity, 31 March 2015.

3. Recommendations

3.1 That Committee:-

- 1) Notes the previous decision of the Children and Families and Finance and Resources Committees to grant a 99-year lease of Riddle's Court to SHBT at a peppercorn rent and restates its commitment to the restoration project at Riddle's Court.
- 2) Notes that SHBT has secured Heritage Lottery Funding for redevelopment of the property and that the area currently occupied by 6VT at 4-6 Victoria Terrace is included in the conditions of lottery grant.
- 3) Further notes that the Heritage Lottery Fund has granted an extension of their offer with a revised deadline of 31st March 2014 to meet the conditions of the award.

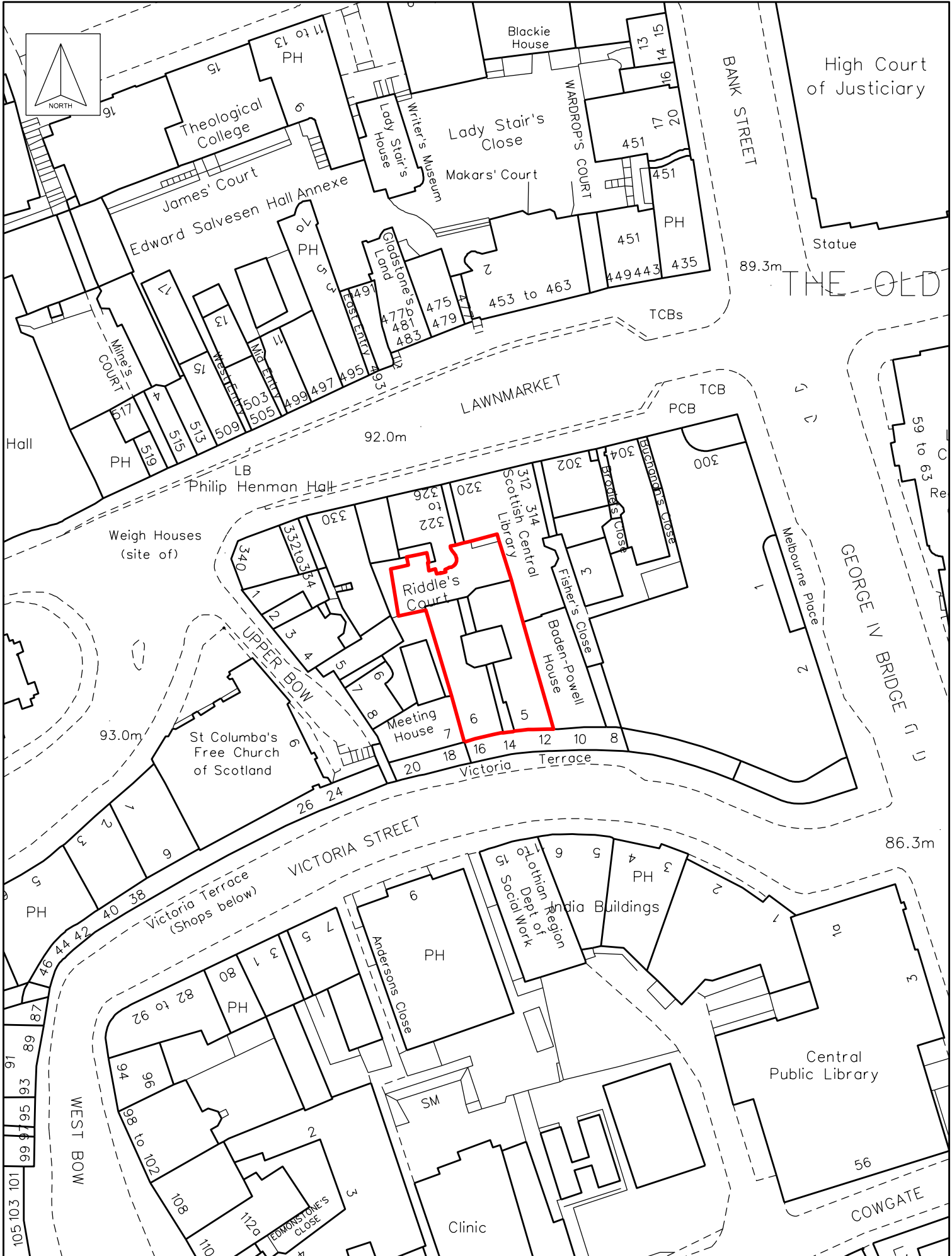
- 4) Recognises the value of the work undertaken by 6VT and the Board's preference to remain in their current premises until suitable alternative accommodation can be secured.
- 5) To note the options and implications set out at paragraphs 2.4 and 2.5, and instruct Council officers to work with 6VT to seek their relocation by 31 December 2014, ideally by mutual agreement.
- 6) To request officers to report to the relevant Committee on the most appropriate mechanism to allow the resources currently allocated to SHBT to be realigned to 6VT to support the cost of capital fit out and rent of their new premises.

Mark Turley

Director of Services for Communities

Links

Coalition pledges	<p>P1 - Increase support for vulnerable children, including help for families so that fewer go into care.</p> <p>P15 - Work with public organisations, the private sector and social enterprise to promote Edinburgh to investors.</p> <p>P28 - Further strengthen our links with the business community by developing and implementing strategies to promote and protect the economic well being of the city.</p> <p>P30 - Continue to maintain a sound financial position including long-term financial planning .</p>
Council outcomes	<p>CO2 - Our children and young people are successful learners, confident individuals and responsible citizens making a positive contribution to their communities.</p> <p>CO7 - Edinburgh draws new investment in development and regeneration.</p> <p>CO8 - Edinburgh's economy creates and sustains job opportunities.</p> <p>CO19 - Attractive Places and Well Maintained – Edinburgh remains an attractive city through the development of high quality buildings and places and the delivery of high standards and maintenance of infrastructure and public realm.</p>
Single Outcome Agreement	<p>SO1 - Edinburgh's Economy Delivers increased investment, jobs and opportunities for all.</p> <p>SO3 - Edinburgh's children and young people enjoy their childhood and fulfil their potential.</p>
Appendices	<p>Appendix 1 – Location plan</p>



TITLE

Riddle's Court
Edinburgh

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EDINBURGH

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Corporate Property
Services for Communities
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DATE
March 2014

SCALE
1:800 @ A4

DRAWN BY
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