



Everton Library: “The Jewel on the Hill”

Phase 3: Market Assessment and Project Viability Study

Prepared by 2020 Liverpool
for Liverpool City Council

Final report
Executive Summary

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2020 Liverpool working with:



Heritage Works Buildings Preservation Trust Ltd

Burns Collett

Kendrick Hobbs Catering Consultants

Keppie Massie Surveyors & Property Consultants

Appleyard & Trew Cost Consultants

Chapter 1: Executive summary

Introduction

1.1 This executive summary provides a précis of a Phase 3 Market Assessment and Project Viability Study in relation to Everton Library, which follows on from earlier Phase 1 and 2 Options Appraisal Studies by Heritage Works Buildings Preservation Trust in May 2009 and April 2010 respectively. The Phase 2 Study identified a number of proposed end-uses for Everton Library around the theme of “The Jewel on the Hill: a dynamic local centre for creativity, heritage and enterprise, linking tradition and modernity in a new and exciting mix”:

- creative enterprise workspace
- built heritage skills centre
- community cultural activity programme
- local heritage programme and resource centre
- educational partnership work
- café/exhibition/performance/function/meeting space.

1.2 The current study focuses mainly on a market and viability assessment of these proposed end-uses. The report:

- takes account, as far as possible, of the changing economic and policy context which impacts on the project,
- presents a market and viability assessment of each of the proposed end-uses, including discussion of options which have emerged through the survey and consultation process,
- refers to possible variations in design and presents updated project capital costs,
- outlines and comments on updated estimated core income and expenditure,
- proposes options for delivery and management,
- presents conclusions and recommends next steps.

The report does not present a full business plan, nor does it substantially update information regarding capital and revenue funding sources.

1.3 The study notes that although some elements of uncertainty which existed in early 2010 at the time of the Phase 2 Study have begun to diminish through the new Government’s policy announcements and budget objectives, further clarification will only follow from the Comprehensive Spending Review. Moreover, the broad economic context remains uncertain, which makes it very difficult to predict where key indicators will be in three years’ time, the expected project completion date.

1.4 Consultation in relation to this study has been very wide ranging, and sincere thanks are due to the many companies, voluntary and community organisations, faith organisations, statutory services and individuals, including Council officers and Members and other key stakeholders, who have contributed their time and thoughts.

Creative industries workspace

1.5 Chapter 3 of the study is based on an extensive report produced by Burns Collett, creative arts sector consultancy, and examines the potential demand for, and viability of, creative industries workspace as one of the main end-uses of a restored Everton Library. The study indicates that there is a significant amount of creative industries workspace already available in Liverpool, which has grown over the last four years in such areas as the Baltic Triangle,

Ropewalks and other central areas. This chapter considers a number of creative workspace developments outside the city centre, often located in economically deprived communities and sometimes connected with those communities. It also indicates the range of rental values in the sector.

- 1.6 In relation to demand, the study analyses current trends in the sector, which indicate that demand is currently weak due to a combination of the growth in supply of creative sector workspace in the recent past and the effect of the economic downturn. But it does also indicate that the micro-business segment of the sector is relatively stable, that community-centred workspaces can work well despite the difficulties, that a variety of different sizes and types of spaces is desirable to the micro-business segment of the sector, and that affordability is critically important in being able to achieve higher occupancy. The formula 'right price, right place, right space' would seem to be crucial. A survey of the creative sector in Merseyside undertaken as part of the study indicated considerable interest in the possibility of space at Everton Library over the next period, and although the community-based location would be attractive to some creatives, the absence of a 'creative cluster' around the Library's immediate location would need to be taken into account in terms of rental levels and marketing. Although overall demand is currently weak, this could well change over the next three years with likely growth in the economy.

Built heritage skills centre

- 1.7 Chapter 4 of the study examines the potential demand for, and viability of, a built heritage skills centre as one of the proposed complementary end-uses of Everton Library. Such a centre would primarily provide training on a Merseyside basis in the specialist construction skills required for the repair and restoration of pre-1919 buildings. In terms of the supply-side, consultations have confirmed that there is a gap in training provision in built heritage skills in the Merseyside sub-region. However, construction industry use of such a centre is likely to be relatively limited, as NVQ qualifications (the relevant industry qualification is the NVQ Heritage Skills Level 3) are achieved primarily through work-based experience and assessment and only secondarily through training provided by a training provider. In addition, the Level 3 qualification is mainly aimed at over-18 employees with some technical competence. Closely linked to this, and despite some positive initiatives, is the current difficulty in funding Apprenticeships for the over-18's, impacting on the development of Heritage Apprenticeships.
- 1.8 In relation to demand, the study refers to research conducted in 2008 by the National Heritage Training Group and to ongoing statistical forecasting by Construction Skills, both of which point to a small but steady sub-regional demand for built heritage skills training in the construction industry. As part of this study, a survey was undertaken of construction contractors and consultants who periodically work on the restoration, repair and maintenance of pre-1919 buildings in Merseyside. The responses indicated that a significant number of companies had experienced shortages of skilled staff from Merseyside in the recent past, and that there was a high level of support for training based in Merseyside. Moreover, recent national developments related to the Construction Skills Certification Scheme (CSCS) Heritage Skills card, the relevant industry accreditation for employees, are likely to act as a generator of overall demand in the industry for such skills training in the medium-term. It is therefore likely that there would be a small-scale but steady, and probably growing, demand from the industry for built heritage skills training in Merseyside, together with a limited but growing demand for the practical and theoretical elements of Continuous Professional Development.

- 1.9 It is also likely that there would be some demand from other audiences such as individual and institutional owners of historic buildings, conservation or heritage volunteers, schools, and local communities. However, cost would be a key factor and, in the case of schools, there are uncertainties around 14-19 construction qualifications which might affect take-up. It may also be that training options could be developed for groups requiring intensive support, dependent on the development of relevant contract arrangements, but it is at this stage difficult to estimate demand. The overall conclusion is that there is a predicted level of demand in Merseyside for built heritage skills training which is likely to be small initially but which could grow over time.
- 1.10 A review of built heritage training provision nationally would lead towards the conclusion that a centre such as that proposed at Everton Library would need to be either organisationally part of a larger operation or very much linked in with other construction training provision. Discussions with various training providers and other parties indicate an interest in built heritage skills training generally and the project specifically, but an accurate assessment of demand is crucial to determining the viability of such a centre. Fortunately, further national research will be undertaken by the National Heritage Training Group over the next period, and this should help to inform this assessment. A final decision about an end-use for Everton Library could be deferred until more accurate demand information has been derived from national research and the economic context relating to construction is clearer. Alternatively, a more gradual implementation model could be developed, which involves heritage crafts practitioners.

Community cultural and local heritage activity

- 1.11 Chapter 5 examines the potential demand for, and viability of, community cultural and local heritage activity as one of the proposed complementary end-uses of Everton Library. This would involve a facilitated programme of activities, including capacity-building for local groups and organisations to help develop greater participation and success in this field. An overview of cultural activity in North Liverpool developed by Liverpool Arts and Regeneration Consortium (LARC) indicates significant partnerships between local organisations in the area and key cultural organisations in Liverpool. It paints a picture of a range of existing activities involving a number of key cultural organisations in North Liverpool, together with neighbourhood councils and other groups, and an increasing degree of networking. Nevertheless, North Liverpool is an extensive area geographically and in population terms, and there is undoubtedly potential for further contributions to this area of community activity.
- 1.12 A survey of community and voluntary organisations, faith organisations and cultural organisations was undertaken as part of the study. This showed a strong degree of interest in community cultural activities being based at Everton Library, and an even stronger level of support for developing local heritage work. This was largely confirmed through the face-to-face consultation with key local community and cultural organisations, although a minority of organisations were concerned that the Library should have a distinctive offer to avoid any overlap with their activities. The survey findings confirmed the need for more capacity-building and partnership working to support community cultural activity.
- 1.13 Such a theme as part of the Library's activity could support the development of a community and heritage 'cluster', involving a number of organisations in this part of Everton. It could also help to express and develop further the strong local enthusiasm for local heritage indicated through the work of Ken Rogers ("The Lost Tribe of Everton and Scottie Road") and others, as well as helping to stimulate heritage tourism developments. The community cultural and local heritage theme could be developed through drawing on the in-depth

experience of this area of work in Liverpool and elsewhere. It likely to be relatively easy to access grant funding to start up the community cultural and local heritage programme. There could however be difficulties in securing ongoing resourcing in the current economic climate. This would indicate the need to explore different ways in which this proposed end-use could be supported, although direct generation of significant income from users is unlikely.

Educational partnership work

- 1.14 Chapter 6 examines the proposed complementary end-use of Everton Library for educational activities by North Liverpool Academy, Notre Dame Catholic College for the Arts and potentially other schools. In the Phase 2 Study, North Liverpool Academy suggested a role for the Library as a base for enterprise education activities. This has developed into a more comprehensive proposal involving hospital and catering, heritage trades (already mentioned in 1.10 above), exhibitions, and parental involvement, as well as the original proposal. Discussions with Notre Dame College are at an earlier stage, and the College is unable to be definite until the outcome of consultations between the City Council and Government regarding education capital funding are known. However, the College has made a number of suggestions, some of which have a good 'fit' with the overall project concept.
- 1.15 North Liverpool Academy has forecast an overall continued increase in student numbers to 1,750 in 2013 (the Library's potential completion date), and has reported that there is likely to be substantial demand in that year from students for the activities proposed. In addition, the Academy sees major potential in the use of the Library for parental involvement, in the context of its extended services offer. The interest expressed by Notre Dame College is at this stage less developed, but the College will almost certainly need additional space for some its activities, for which there is likely to be ongoing demand. There may be the potential for partnering between the two schools in relation to overlapping curriculum and activity areas.
- 1.16 North Liverpool Academy's considered proposals are very positive and consistent with the overall project concept. Notre Dame College's expression of interest, while currently subject to more uncertainty, is also positive and should be explored further. The potential for partnering should be welcomed. Further consideration will be required by potential 'managing partners' of the Library as to how best they can accommodate the requirements of the two schools.

Catering and events

- 1.17 Chapter 7 is based on an extensive report by Kendrick Hobbs, catering specialist consultancy, and examines the demand for, and viability of, a catering and events offer at the restored Everton Library. Such an offer could involve use of key larger spaces at the Library to accommodate wide-ranging events and activities, a café operation, events catering, and training and education possibilities. The study overviews the local catering market, much of which is geared to football matches, and sets out some of the main expectations for catering at the Library, including the recognition that many venues offer catering in order to reinforce their core business and attract visitors, without necessarily being able to generate significant income from the catering offer itself.
- 1.18 Following analysis of the options, the study recommends that the most viable day-to-day catering operation at Everton Library would be a simple sandwich/coffee bar facility. The best location for this in terms of easy access and central position would be on the ground floor around the entrance atrium. This would be supplemented by an events catering

operation, for which a separate ‘finishing’ kitchen could be provided on the lower ground floor. This kitchen could also be used for training and education purposes, and possibly by emerging craft catering businesses. Café demand would be largely dependent on the facility’s other proposed end-uses but is estimated at a reasonable level. The events potential would be affected by general market factors, local potential, the facilities developed at the Library, and the effectiveness of marketing, but it is thought to be beneficial.

- 1.19 It is suggested that the café might be best managed and delivered by an ‘in-house’ team, but the potential for North Liverpool Academy to play a part should be explored. It is considered that main events catering might be better delivered by an external third party caterer or caterers. Overall, catering is unlikely to generate much additional income but should be included as one of the proposed end-uses because of the range of benefits it can bring to the facility as a whole. The training and education potential of an additional catering kitchen should be explored, together with any potential craft catering opportunities.

Design considerations and updated costs (Chapter 8)

- 1.20 The condition report prepared in March 2009 has been reviewed and updated by 2020 Liverpool in the light of subsequent damage to the building and emergency works (recently undertaken and imminent as at end October 2010). Costs have then been updated by Appleyard and Trew. For a number of reasons, costs have varied only to a small extent, although there is still a need for outstanding priority works.
- 1.21 The feasibility design work contained in the Phase 2 Study has not been updated at this stage, and the current study suggests only minor amendments to this earlier work. Such amendments include the location of the proposed café operation in the ground floor entrance atrium, the possible location of a kitchen in the lower ground floor, further consideration of the external craft compound if the built heritage skills component develops in a different way, and further consideration of toilet facilities in the light of child protection and other issues.
- 1.22 Setting aside urgent works which still need to be undertaken to safeguard the building until full reoartion can be commenced, and the fit-out costs of a catering kitchen, updated project costs are as follows:

Repairs	1,705,000	
Lower ground floor (Training rooms/studios)*	370,000	
Upper floors (exhibition / teaching & meeting spaces; café; studios/offices)	540,000	
North elevation extension (circulation)	250,000	
Roof top extension (offices / studios)	300,000	
External craft training lodges and compound	238,000	
Car park and landscaping	78,000	
Construction cost		£3,481,000
Professional fees at 20%	696,200	
Statutory fees	20,000	
Total fees		£4,197,200
Acquisition cost (long lease from LCC to HWBPT)	0	
Grand total		£4,197,200
HWBPT project management costs at 10%	348,100	
Total including project management		£4,545,300

Business planning considerations (Chapter 9)

- 1.23 The work undertaken within this study in relation to creative industries workspace and catering and events has helped to clarify potential revenue streams from these activities. Rental ranges and likely occupancy rates have been factored in, using two possible options generated by Keppie Massie Surveyors and Property Consultants. For a number of reasons, there is considerable uncertainty regarding utilities and building maintenance costs. Moreover, the number of staff to be employed depends on how the restored Library is managed and whether a staffed café is established or a vending machine used. Clearly, whatever delivery model is adopted for the Library, the staffing structure needs to be sufficiently robust to be adequate for the task.
- 1.24 In the Phase 2 Study, using the suggested business model and staffing structure, an annual operational deficit was estimated at a minimum of £100,000. In this Phase 3 study, despite the uncertainties to which we have referred, we have been able to estimate core income and expenditure rather more accurately and to take into account a gradual occupancy rate. Our current estimate broadly confirms the original figure. If the building is used for training, education and general office use, with non-inclusive rents, the estimated annual revenue deficit starts at £105,916 in Year 1, reducing to £73,266 in Year 5. If the building is used primarily for creative industries workspace, with rents inclusive of service charges, the estimated deficit starts at £116,412 in Year 1, reducing to £98,453 in Year 5. In reality, it is likely that space in the building would be occupied on the basis of a combination of the two different options, so that the estimated deficit could fall somewhere between the two.
- 1.25 There are two major ways in which this deficit could be reduced. The first is to increase the rental income from occupiers through a new-build development on the adjacent land, although this would depend on market conditions improving and the availability of significant public sector capital investment. The second is through a possible alternative business model whereby many of the core costs are absorbed into the existing overhead costs of a lead tenant who was committed to developing the building as a centre for its own activities (which would ideally align with the key themes of the “The Jewel on the Hill” vision), together with some sub-letting of space. This raises the possibility that, as indicated in 1.24 above, the notional staffing structure could be substantially scaled back. In the current context it is important that every potentially viable opportunity for such an alternative approach is explored.

Delivery mechanism and potential partners (Chapter 10)

- 1.26 The study advocates a partnership approach to the delivery of the project, with different organisations taking responsibility for the construction works and for the subsequent management of the building. This would involve the City Council granting a long lease (e.g.125 years) to a charitable developer, who would be responsible for undertaking the repair and restoration of the building to meet the end users’ requirements. The charitable developer would then grant a 25 year lease (the nature of the respective responsibilities to be agreed) to a ‘managing partner’, who would then act as landlord for creative workspace and other end-users, while leading on the delivery of the community cultural and local heritage programme. The capital funding would be the subject of joint grant contracts between funders, the charitable developer, and the managing partner.
- 1.27 Consultation with a number of existing charitable organisations has indicated that there is considerable interest in “The Jewel on the Hill” concept, but this is tempered by serious concerns about the business plan. Of the organisations consulted, one is interested in exploring how the project might become self-financing over time, although there is a

recognition that, in the short term, a revenue grant stream would be required. Another organisation is interested in exploring the alternative business model to which reference has already been made, whereby it could become the 'primary end-user' as well as managing partner. This organisation would provide some lettable workspace to other enterprises, alongside delivering the project themes identified in "The Jewel on the Hill" vision. It is recommended that further discussions take place with these two organisations.

Conclusions and recommended next steps

- 1.28 The market assessment work indicates a reasonable degree of demand for most of the proposed end-uses, with demand for a built heritage skills centre being initially low but with growth potential. All the proposed end-uses could operate effectively at the restored Library, although the built heritage skills centre would need to be part of, or closely connected to, a larger training operation. The study has shown a significant degree of interest from creative enterprises in relation to the possibility of workspace at Everton Library, and a reasonable degree of interest in built heritage skills training in Merseyside from the construction industry. There is a strong degree of interest and support from local organisations for the restoration of the Library and for the cultural activity and local heritage theme. As outlined, there are still significant outstanding financial issues in formulating a viable business plan, and some financial issues relating to two of the proposed end-uses. In the light of this, the potential of an alternative business model should be explored.
- 1.29 The report recommends a series of 'next steps', as follows:
- A stage 1 Heritage Lottery Fund bid should be submitted as soon as practically possible, with further consideration of the capital funding package, and the project's relative heritage investment priority for Liverpool, as part of the bid development.
 - The identification of a 'managing partner' needs to be achieved as soon as possible, and if current discussions fail to progress, further research should be undertaken to identify an existing cultural/creatives organisation to undertake this role. However, we would counsel against re-presenting the Library to the open market as the building requires at least £1.7 million to be spent on repairs. This cost rules out a straightforward commercial solution, as few, if any, parties would be willing to take on this level of commitment, particularly in the current economic circumstances.
 - At the appropriate time, and without compromising necessary confidentiality, an **executive summary** of the Phase 3 study should be made available to the public through a number of relevant websites.
 - If a decision is taken to proceed to a stage 1 Heritage Lottery Fund bid, consideration should be given as to how to **involve the local community** in supporting the development of the project, both through school-based work and more generally.