

NICE FEASIBILITY STUDY FOR USE OF THE OLD SOCIAL WORK BUILDING SUPPLEMENTAL REPORT

Introduction

Highland Council have asked us to supplement our Feasibility Study Report by exploring in more detail possible Budget Models with the object of demonstrating, in the first instance to the Asset Management Project Board, that we are confident of putting the building to sustainable future use under our ownership. In an e-mail requesting that we do this, William Gilfillan of Highland Council said that this may be based on informal contacts with potential users of the building, and that there is no necessity to seek formal expressions of interest (which we are not prepared or able to do without having secured ownership of the building).

Highland Council describe this as working up a “Business Case”, but that is a phrase we are reluctant to use given that our work has been based on informal contacts, and “Business Case” can mean different things to different people. As we have already stated, we will prepare a proper “Business Case” when we are secure in the knowledge that we will secure or have secured ownership of the building, and in consequence can properly engage with interested parties and prepare detailed budgets for consideration by funders.

We also take this opportunity to mention by way of illustration one difficulty in the preparation of a “Business Case”. Highland Council encouraged us to think commercially, and we asked them for relevant financial information about the public toilets that we would be bringing under NICE’s control in the building – for example the costs they would save and how much we might expect to receive under a Community Challenge Fund Bid. The information was not forthcoming and we were directed to describe the toilets and indicate the opening hours.

We do emphasise, as in the Feasibility Study Report, that our starting point is the objective of regenerating Nairn by increasing economic activity, and that we see the Old Social Work Building as having the potential to be a “Gateway” for visitors to underpin this aim. We consider several possible scenarios in this report, but we must emphasise that they are considered for the sole purpose of demonstrating which have potential and which probably lack potential. Nothing we report should be construed as a commitment at this stage to a particular use or outcome. We do however provisionally conclude that a certain combination of uses has the clear potential to “tick all the boxes”, to deliver all the objectives, and to be a “social enterprise” model that should be capable of the grant funding that we require to renovate the building (some £500,000).

Possible Uses

As we concluded in our Feasibility Study Report, the building can be looked at as two almost separate halves, and it seems a given that the eastern half should retain the old police cells (visitor attraction), incorporate new quality public toilets with a high level of supervision, and include a visitor orientation centre. There are potentially two good size office rooms on the first floor, and we envisage these being used by one or

more local voluntary organisations. We have spoken informally with local representatives of two such organisations, and both expressed considerable interest, particularly if, as mentioned below, their occupation were at a reduced rent in return for providing day-to-day supervision of the building on behalf of NICE.

The real question in our opinion is to what use the western half of the building should be put, and how the possible budget models would work. Should this be a purely commercial use that satisfies the immediate needs of visitors and tourists (the Gateway concept), should it be used by some completely different commercial organisation (which might not meet the Gateway concept), should it be used by a voluntary group (and local playgroups have informally expressed interest), or should it be a combination of such uses – it does have two floors.

The budget model included in our Feasibility Study Report was a deliberately simplified one, and included the following main elements:

- a) NICE responsible for the cost of running and maintaining the eastern half of the building;
- b) NICE responsible for maintaining the external structure of the building;
- c) NICE bearing the cost of its own part-time manager for the building;
- d) NICE receiving income from various sources as a contribution to the cost of running a visitor centre;
- e) NICE receiving rent from a commercial business for the exclusive use of the western half of the building on the basis that it is a prestige location on the A96 and part of the “Gateway” to Nairn town centre.

We now consider a number of options and the budgetary aspects in more detail, based where indicated on informal contacts with potentially interested parties and experts in the field.

A Possible Dilemma and Potential Conflicts

We are committed to the view that the interests of the Nairn Community will be best served by the “Gateway” concept. Indeed, one of Nairn’s largest employers has written to us in the following terms:

“Nairn is a great place to live and work but there is great disparity in terms of standards throughout the town. What I mean by this is we have fabulous facilities such as beaches, golf courses, riverside walks, swimming pool, sports clubs & a community centre to name but a few.

However the main town centre gives our town a distinctly dismal appearance to visitors and is not in any way reflective of some of the other parts of the town. If we can resolve this then there is no doubt in my mind we can attract more visitors and residents to Nairn. They in turn will stay longer, generate more revenue, and this will help create more employment.

We are broadly aware of the NICE plans to create a town centre which will greatly improve it from its current state and we are very much in favour of them. We would be interested in knowing more about the visitor centre proposals and we would reserve our opinions on a cafe or restaurant here until we have seen these. Making this visitor centre an attractive gateway into the High St would be very important. Keeping parking free and available is also key in our mind to allow the town centre to flourish. “

Whilst commercial use of the western half of the building, whether it be a bistro, café, retail shop, or a combination of those elements, will “tick most of the boxes” for the needs of visitors, this might not immediately satisfy the social needs of the community. There will be small short-term benefits (ie new jobs), and the main benefits will be longer-term when increased visitor numbers lead to change on the High Street. The “dilemma”, as we see it, is whether to put that half of the building to such use, or whether to put it to a purely social purpose which will bring immediate social benefits to Nairn’s community but might reduce the impact of the building as a “Gateway”.

There is also potential conflict on the grant funding that NICE will need – a purely social use should facilitate the obtaining of capital grants for the building restoration, whilst a mainly commercial use of the building will reduce the number of funders prepared to make a grant.

We believe however that we have identified a solution that solves the dilemma and the conflict, and rather than jump immediately to it, we first prepare the ground by reviewing options and summarising the informal discussions we have had.

Purely Commercial Retail Use

We have had informal discussions with three established local businesses, and all expressed significant interest in running a retail business. If this were pure retail (ie a shop) the customer offering would likely include a small coffee shop; if this were a restaurant or bistro, then the customer offering would likely include retail sales of goods. We cannot identify the parties we have spoken with for reasons of commercial confidentiality.

Use for a Childcare Facility

We were approached some time ago with an informal expression of interest by a very successful local entrepreneur who has for some time been looking for premises for a modern wrap-around child care facility for pre-school age children. They observe that other communities such as Inverness, Forres and Elgin have much better provision, and the lack of high quality provision in Nairn is a handicap to working parents with young children. The requirement is a minimum ground floor space of 150 sq m (although more would be ideal), with secure outside space and car-parking facilities. The lease rental contemplated within their well-prepared business plan is £20k-£40k pa dependent on location, size and standard of premises. They would fund the internal fit-out costs and have those funds.

It became very clear from informal discussion with the entrepreneur that a genuine collaborative arrangement would develop with NICE, and that they would have a flexible approach on the space available.

Use by Local Charities

We have had positive discussions with two established local charities, and we have become aware of a third (*Crossroads*) that has been reported publicly as being interested in the property. Whilst we were given to understand through the auspices

of our former Provost that *Crossroads* would be invited to engage with us, we have received no approach from them; given their response (as reported in the Press) to being named in public as an interested party, we have not sought to make formal contact with them, but we are open to discussion at any time.

The two local charities whom we have had contact with do not wish to be identified at present. Both are highly regarded local branches of what are effectively national organisations, and both operate in the voluntary sector – in both cases providing support to third parties using the services of volunteers led by paid professionals. One organisation basically needs office space from which to run its activities, and one or both of the offices on the first floor of the eastern half of the building would suit their needs. The other organisation needs significant new space to expand its activities and provide an increasingly broad range of service offerings to the public. In informal discussions we identified considerable synergies between the services they wish to deliver to the local community and the needs of visitors to Nairn – ie a broad range of basic information, and with an increasing use of technology. The concept we discussed was a social enterprise where initial contact is at a public reception desk, leading the “customer” to either a suite of PCs for public use under the support (as required) of trained volunteers, or to a booked appointment with an advisor on a completely confidential basis. The volunteers could be offered SVQ training to improve their employability.

The Potential Rental Income from the Western Half of the Building

We have discussed this informally with our independent professional valuers Allied Scotland who have indicated that a reasonable expectation from a purely commercial operator, if our plans come to fruition, is in the range £15 to £18 per square foot exclusive of rates, exclusive of exterior maintenance, and with the tenant responsible for heat, light and interior maintenance. The ground floor of the western half should therefore command a full rent of about £15,000 pa.

On the alternative scenario of a voluntary organisation being the tenant, the rent achievable would likely be limited by affordability and would be of the order of £11 per square foot. The first floor of the western half could accordingly command a full rent of about £11,000 pa. This would equate roughly to the cost to NICE of employing a part-time building manager, so the suggestion of reduced rent occupation in return for covering that job description appears viable.

As stated above, we have received informal written indication from the entrepreneur mentioned that they would be prepared to pay an annual rent in the range £20,000 to £40,000 for a lease of premises suitable for the provision of high quality childcare facilities for pre-school age children. There would appear to be the possibility therefore for a “premium” rent in return for “premium” accommodation.

The potential rental value of the western half of the building is accordingly estimated to be within the range £20,00 to £40,000 pa, depending on use and whether the tenants pay a full market rent.

The Running Costs of the Building

By reference to the RICS website these are estimated to be about £XXX pa.

THE IDEAL OPERATING MODEL

We believe that the optimum solution for the Community of Nairn is to put the building to a combination of uses which together meet the following criteria:

- √¹ The building meets the immediate needs of visitors and acts as a “Gateway”;
- √¹ There is a large Social Enterprise component;
- √¹ The building costs are under-pinned by a commercial tenant whose business contributes to the Community;
- √¹ The proposed use of the building optimises the prospects of obtaining grant funding for the development costs.

Whilst commercial use of the whole of the western half of the building is attractive from the financial perspective and would enhance the attractiveness of the building to visitors, we believe that it would make sourcing grant funding challenging. Informal reaction from the Big Lottery, for example, to our Feasibility Study Report which referred to café/bistro/retail use, suggests this might be the case.

We believe instead that the better way forward is to explore with the entrepreneur and two charities mentioned whether we can in collaboration find a solution that suits us all. We have in mind in particular that the building could be configured in the following way:

The Eastern Half of the Building at Ground Floor Level

- √¹ Retain the Old Police Cells as a visitor attraction – a “mini” museum.
- √¹ Demolish the existing toilet block and provide high quality public toilets which are supervised during the building’s opening hours.
- √¹ Provide a fully staffed visitor reception desk to (a) deal with the simplest queries; (b) direct tourist visitors to a high tech visitor orientation facility adjacent to the reception area; (c) direct visitors requiring specialist help to such facilities (located on the first floor of the western half).
- √¹ Ideally the reception area could be expanded into the western half of the building to enable space for a small internet café selling teas & coffees.

The Eastern Half of the Building at First Floor Level

- √¹ Office space for at least one local voluntary organisation including NICE itself

The Western Half of the Building at Ground Floor Level including the Rear Courtyard Area

- √¹ A long lease for the provision of a high quality wrap-around child care facility by a local entrepreneur. Depending on the mutual requirements the sharing of the total (east and west) ground floor space might have to be negotiated. If, as suggested in our Feasibility Report, the rear extension is best demolished and replaced, then the facility could enjoy a state-of-the art designed extension that

would make the space really exciting.

- √¹ The lease would include the existing courtyard as the basis for a secure outdoor play area, with the option of extending this on to the footprint of the demolished toilet block.

The Western Half of the Building at First Floor Level

- √¹ Specialist facilities provided by the other local voluntary organisation. We deliberately avoid going into detail because this would risk their identity being discerned.

HOW IT WOULD WORK

Each occupier would bear their share of direct costs (eg heat, light, IT & telephones).

One or both of the local voluntary organisations would undertake supervision of the building for at least 6 days a week – responsibility for opening and closing and dealing with day-to-day running issues. In return they would pay below market rate rent.

The childcare facility would pay a full market rent, which would underpin the overall budget model enabling NICE to fund its own costs and building maintenance. These costs would include staff costs for “out-of-hours” opening – a “must” particularly in the main tourist season.

NICE would seek to generate as many small income streams as possible – eg from local businesses, B&Bs and hotels for the visitor information service; the profits from selling teas & coffees and other visitor requisites (eg maps); running a Nairn visitor website.

NEXT STEPS

NICE met with Chief Executive and other executives of Highland Council on 4 November to discuss “partnership working” and the immediate way forward in the light of the proposals described in this Report. The Highland Council executives confirmed that subject to formal Council approval they supported the “Gateway” concept of use for the building, and that they would recommend to the Council that NICE could buy the building from Highland Council if NICE paid the agreed open market value for the property. If NICE wants to buy the property at a discount to that value, then the Asset Management Project Board has to confirm the requirements of the relevant statute are met, and it would be for that committee to make a recommendation or otherwise to the Council. It was agreed that NICE and Highland Council would jointly instruct the District Valuer with the aim of achieving an agreed market value, and NICE would then consider its position as regards purchase of the building. The meeting was constructive, and in particular the property will not be put back on the market while NICE progresses the valuation discussions.

Having put this supplemental report in the public domain, NICE invites the Community through its elected representatives to approve the basic approach. NICE will progress the District Valuer valuation and negotiations with Highland Council

and will also begin discussions with the parties identified with a view to working up detailed proposals for use of the building. NICE confirms it is committed to further public consultation before any final decisions are made.

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