URBAN

FOUNDRY

Resolven Miners Welfare Feasibility Study

February 2024

Contents

1. Introduction

Urban Foundry ('we') were commissioned by Resolven Miners Welfare Hall committee to undertake a feasibility study for the redevelopment of the Hall.

The feasibility study was funded by Pen Y Cymoedd ('PYC') Wind Farm community fund and Moondance Foundation, the latter provided via Neath Port Talbot Council for Voluntary Services.

Background and context

The building was formerly owned and managed by an unincorporated trustee group, which dwindled with members leaving/passing away, until there were no trustees remaining. Realising this was a threat to the future of the charity, members of the local community formed a new board of trustees and took responsibility for the building in 2017.

The new charitable organisation remained unincirporated until 2019 when the trustees were advised to set up a new governance structure. A Charitable Incorporated Organisation (CIO) offers the trustees protection from personal liability and will enable them to apply for large funding grants.

The CIO at the time of writing is seeking to asset transfer the building into its ownership. With no surviving trustees from the former unincorporated organisation that owned and operated the building previously, this requires negotiation and agreement with the Coal Industry Social Welfare Organisation ('CISWO'). That process has proven complex and had not yet reached conclusion at the time of writing.

This poses risks to the future of the building as the freehold title and relationship of the CIO to that title (as owner, lessee or other) will need formal clarification for the purposes of raising capital funding for the building.

The upper storey (auditorium) of the building was closed in the late 1990s due to deteriorating condition and escalating costs for upkeep, but the ground floor remained open, providing a bar and (briefly) a restaurant offer, as well as a small function space and snooker room. There was formerly a trading company operating these open areas of the building on behalf of the charity.

The areas of the building that were kept open until recently were well-used, generating relatively strong income, albeit disrupted by Covid19. However, the restaurant chef moved to a new role and a replacement could not be found – recruitment for chef/cook roles in the post-Covid hospitality sector is exceptionally competitive and so this is not unusual, though in this case the impact was significant in terms of trading income.

In the summer of 2023, the charity was forced to close the remaining areas of the building due to a dispute with their insurance company. This case is now in the hands of the Financial Ombudsman as the charity feel that their insurance was wrongly withdrawn. A new insurance quote was obtained but was too costly for the organisation to meet. The trading company that was operating the facility on behalf of the charity was subsequently folded.

Approach

The study involved a multi-disciplinary team, led by Urban Foundry creative regeneration agency, with input from CB3 structural engineers, McCann's for mechanical and electrical survey work, HGA Architects to develop the scheme designs, and ER Brown quantity surveyors.

Additional works were undertaken to include: a modest invasive survey to supplement the initial work undertaken by CB3; the development of a more detailed marketing plan (incorporated within the business plan); a fundraising strategy; and support for the Board to consider its options in relation to the trading company.

Additionally, further work was undertaken in early 2024 to prepare an option to put forward a reduced scheme for time-limited SPF Levelling Up funding, to explore the minimal works required to secure the building and prevent further degradation whilst capital funds for the remainder of the conversion are raised.

A consultative survey had previously been undertaken by the charity; the study drew sufficient response numbers and was also relatively recent and so it was determined that a well-publicised community consultative event to display the proposed plans would be adequate to supplement that existing consultative work. The community consultation 'drop-in' event was undertaken in December 2023 where the architects' drawings were displayed, and community feedback invited and recorded (see separate notes).

There were several delays in assembling the relevant parties at key points to progress the study, exacerbated further by issues in the operation of the building, leading to its closure in the latter part of 2023. It was determined in consultation with the client that it would be prudent to put some time between the decision to close (which included a public meeting) and the community consultative event for the study. These factors combined to significantly extend the duration of the feasibility study.

This report provides a brief summary overview of the study, and should be read in conjunction with the following reports:

- structural engineers' report (including follow-up dry rot supplementary report);
- mechanical and electrical engineers' report;
- scheme design drawings (and supplementary supporting information);
- quantity surveyors' report;
- community consultation feedback summary;
- business plan (incorporating a marketing plan); and
- fundraising strategy.

An asbestos survey has been undertaken previously, though it is not compliant with current reporting requirements. However, given the extensive refurbishment that is required, and that asbestos has been confirmed as present previously and that this will need removing regardless, it was not considered worthwhile to undertake an asbestos survey at this stage. A contractor will undertake further survey work and establish a plan for its removal as part of the full capital stage and this should be incorporated into their brief.

Report structure

The various reports summarised above form the feasibility study – the individual reports are detailed and provide a comprehensive analysis of the issues with the building, the proposed nature and costs for its refurbishment and potential sources for funding this, and a detailed plan is provided for the end use of the building once it is once again fit for purpose and open for use.

This document does not seek to repeat the contents of these documents but summarises some key aspects in order to create a narrative that supports the options appraisals and conclusions presented herein.

Section 2 of this report outlines the key issues with the building as it stands, drawing principally from the reports of the structural engineers and mechanical and electrical engineers, and should also be viewed with reference to the summary drawings produced by HGA of the current building issues.

Section 3 briefly summarises the key elements of the business case, considering the markets and viability for refurbishing the building, and should be read in conjunction with the vision drawings from HGA, the QS report, the business plan, the community consultation summary, fundraising strategy.

Section 4 provides an options appraisal.

A brief conclusion and recommendations are provided in Section 5.

Supporting materials are listed in the appendices but provided as separate documents to keep file sizes manageable for documents that will likely be shared electronically.

2. Key issues

Building condition

The building overall is structurally sound, with the structural engineers' report stating no obvious issues of significant settlement or subsidence. However, there are multiple significant issues with the building. There is evidence of some dry rot, defective wall ties, spalling, mortar erosion, corrosion, defects to rainwater goods, water ingress and damage from vegetation (refer to separate condition reports for details of these).

The mechanical and electrical facilities in the building were in some places already decommissioned prior to the commencement of this study (essentially this was everything above ground floor), and the areas that were in use are dated and beyond their intended lifespans – full mechanical and electrical refurbishment of the entire building is required.

The engineers' report identifies several further areas for study, notably further invasive works to reveal the extent of (as well as to treat) dry rot, the need to expose lintels and supporting beams, and to undertake a CCTV survey of below ground drainage.

However, it was clear from the initial report by the engineers that the building will need a full refit regardless and that (with the exception of dry rot) further investigative works at this stage are not required given the extent of the works required. Some further additional budget should be sought (potentially combined with an SPF funding proposal to secure the building against the elements) to assess the full extent of, and to treat, the dry rot in the building.

Furthermore, the ivy on the building provides habitat for bees and the detailed design stage that forms the early part of the full capital redevelopment stage will need to assess any environmental impacts of the removal of this and any other environmental concerns (including a bat survey) and mitigation for any issues identified will need to be incorporated into the full scheme design.

The full range of issues are detailed in the accompanying reports from the structural engineers, mechanical and electrical engineers and the architects' summary drawings.

The building is not currently fit for purposes and cannot continue to be used in its current state. It requires a full refurbishment, including the need to make the premises disabled accessible, principally with the addition of lift access, ramps and disabled accessible welfare provisions.

Given the extent of works required there is also scope to improve the energy efficiency of the building both through improved systems and also better insulation.

It is not considered feasible for the building to operate whilst works are undertaken, and it is not considered to be cost effective to undertake only minimal works to bring just the recently occupied ground floor areas back into use.

A full building refurbishment will be required for any continued use.

Size and location

In addition to its condition, the building is a substantial structure and whilst the scale offers many opportunities it also poses challenges in terms of greater costs to bring it back into use and in terms of resourcing its day to day operation.

In location terms, the building is not central to the community and there is weak footfall, though footfall generally in the community is relatively modest. The business case will need to be predicated on a ‘business to business’ style model for hires (notwithstanding that many of these users may be unincorporated groups), coupled with a general community appeal (which will need to extend beyond the local community) for the restaurant/café-bar and special events and activities. The proximity of the venue to walking trails can be capitalised on both for general awareness-raising and more directly to attract walkers to use the facilities.

Whilst much of the audience is local and within a reasonable walking (or cycling) distance, the business model will require users to be drawn from beyond walking/cycling distances. With relatively weak public transport links, that will dictate many potential users driving and there are very limited parking options on site. There is scope to provide some disabled parking spaces on site, but no options for creating larger numbers of additional parking spaces.

This will need some further consideration with potential to explore park and ride/park and short-walk options, perhaps incorporating better pedestrian linkages to existing parking elsewhere in the community as part of further scheme development. This enters into the realms of broader urban design/regeneration and is beyond the scope of the current study but should be further explored at the detailed design stage. However, there is no reason to consider that solutions cannot be found for this, and this is not considered reasonable grounds not to proceed, or to stall further progress at this stage.

3. Business case

Purpose

A clear vision for the building has been outlined, which is articulated in the accompanying business plan.

The vision retains the core elements of the building, notably the fine auditorium, retaining it as a community asset and preserving the heritage, whilst modernising the facility and significantly improving both accessibility and energy efficiency.

The vision builds on recent uses of the building, augmenting it with significant improvements and establishing a range of facilities with scope for multifunctionality and broadened earned income generation.

Community engagement and support

Community consultation has been undertaken through an initial community survey undertaken prior to the feasibility study (which demonstrated strong support), via events showcasing design concepts from architectural design students (which drew favourable support in principle) and via a community consultation event held to showcase the plans developed in the feasibility study (which demonstrated broad support for the concepts, though with some doubts expressed from some community members about the financial viability of the proposals).

The building was previously operating and was well-supported – these proposals have not been developed in a vacuum, they are based on prior track record, which showed good community support, albeit with room to expand and improve on this.

Viability

A fundraising strategy has been developed. Whilst the capital costs are sizable, there are multiple potential avenues from which to secure capital funding, with the immediate priorities to explore being the UK Government SPF Levelling Up funding channeled via Neath Port Talbot County Borough Council and PYC, though it is very likely additional sources of capital funding will be required.

A business plan has been developed and should be viewed in conjunction with this report. The plan draws on community consultation, benchmarked with other similar facilities on community ownership, and drawing on previous track record of similar activities operated at the building for the wet and dry sales for a restaurant/café-bar and also key events.

The plan incorporates multiple viable income generating streams, with two core income generators from the restaurant/café-bar and third party hires, with supplementary income generated from self-programmed special events/activities (including the cinema).

Whilst relatively ambitious, the business plan is considered credible provided that the facility is well-managed by the newly formed trading company and a key aspect of this is that it will have to be well-marketed. The business plan incorporates some detail in terms of marketing, which forms the basis of a marketing strategy. Some further work will be required on brand identity before this can be developed into a full marketing strategy, but the core requirements are there at this stage.

There are some community facilities locally but nothing comparable to what is proposed. The proposals for the refurbished building are considered to be complementary to the modest existing community provision. There are no immediate competitors existing or proposed in the local area. There would likely be some displacement due to the relocation of the proposed resident companies to the new building, but this should not significantly affect the viability of other venues in the county whereas it will provide a major core component of the income streams to support these refurbished community facilities for Resolven.

There are comparator facilities operating in the region of similar size and scope, which may be considered regional competitors, though they are some distance away. The Ystradgynlais Welfare Hall, which is community-owned and operated, offers a useful benchmark that has been referred to when formulating the business plan. The Pontardawe Arts Centre is another comparator, though it is operated by the Local Authority and so the financial viability models cannot be easily compared.

The business plan has some reliance on ongoing revenue funds, but these taper and are at modest levels overall (considerably lower than revenue support to other community operated facilities in the region) and they are considered feasible to achieve. Additionally, there are areas of the plan where projections might be considered conservative, giving some leeway to increase income streams in key areas (notably buffets for hirers as well as offsite catering delivered by the restaurant).

Management

The charity has track record and is well-placed to secure funds from capital funders.

The previous trading company has folded, and a new one will need to be formed. Some specialist advice is recommended to secure the optimal governance model as there are various options, with the one currently recommended being one of ownership of the asset by the charity with a wholly owned trading subsidiary (newly formed) managing the building. The formal relationship between these bodies in the form of lease/license and also in terms of how their governing documents are worded to reflect the relationship will require specialist input that should be sought at the next stage of development.

A strong, skilled Board for the trading company is essential and recruiting strong candidates for the Board as well as the Centre Manager, Restaurant/Café-Bar Manager and Chef/Cook roles will be key.

Key areas of risk

The obvious risk is that the capital costs are significant and without 100% grant support for capital costs the project is not feasible. However, whilst ambitious the sum is considered achievable with a reasonable value for money argument to be made in terms of the potential scale and scope of the positive community impacts of the initiative.

An additional key risk is the unresolved (at the time of writing) freehold transfer to the charity (CIO), which will need resolution before capital funds can be secured.

Negotiations are ongoing between the charity and CISWO, and it is recommended that legal support be procured to assist in bringing this to a swift conclusion, not least as the window for UK Government SPF funding (a potential source of major capital funding) is brief and dwindling.

An initial organisational risk assessment exists, which is detailed in the accompanying business plan. This will be further refined at the next stage. Subject to securing sufficient funds to make the building fit for the proposed uses, the principal revenue risks arise on the income side from the need to secure the currently in-principle agreements of the resident companies, and to re-establish the restaurant offer along similar lines to what was delivered previously from the site. The latter is heavily reliant on securing a strong manager and chef/cook, the latter during a time where recruitment for catering remains hugely competitive.

On the expenditure side, labour costs are (as would be expected with this type of initiative) the principal cost centre – the staffing is currently made as lean as possible, which is considered challenging but achievable given that the non-restaurant elements of the business are largely hires, coupled with relatively infrequent special events and compliance related to the whole building.

There remains a major unknown in terms of utility costs at the time of writing – these will be sizable given the scale of the building, even with energy efficiency measures. Benchmarking against other venues of similar scale suggests that business plan projections are reasonable, though the volatility of the market at present makes this a major variable cost, which will need to be revisited as the capital stage develops. A key mitigating action is to secure as much funding as possible towards energy efficiency and micro-renewables at the capital stage to reduce these costs.

There will also be some cashflow implications both in terms of capital funding paid in arrears and also in the initial operating phases in year 1 of the business plan. PYC has the potential to offer a loan facility alongside grant, and this should be considered in the detailed planning stages to ease cashflows as a more cost effective option than other loan facilities/overdrafts.

4. Options appraisal

A series of options are available to the charity, summarised as follows (with variations feasible on each of these).

Option 1 – 'Do nothing'

Whilst currently the building is broadly structurally sound, there is water ingress and evidence of dry rot and several other issues that will worsen without intervention. If it is not repaired and brought back into use, it is inevitable that the building will continue degrade and eventually it will become structurally unsound. That creates potential liabilities for the charity in terms of dilapidations that could pose a risk to public safety and that could also create a potential hazard to surrounding properties if the building condition is not addressed, eventually likely requiring demolition (this would still be costly). It would also be contrary to the charity's objects not to act. This option is not recommended.

Option 2 – Dispose of the asset and relocate (or cease activity)

On the assumption that the freehold is transferred to the CIO, in theory the building could potentially be sold on the open market, or a long leasehold granted. Given its condition, the 'bricks and mortar' value of the building is likely to be relatively modest, with the footprint forming the bulk of the value. Whilst this could be explored there are no guarantees that a sale can be secured and there remain at this stage question marks over the freehold transfer and whether there will be restrictions on disposal, so this is not a recommended approach other than as a last resort if no capital funding can be secured for the refurbishment of the building.

Option 3 – Redevelop for alternative use

Under this option the freehold is retained by the charity (anticipating the current negotiations on this concluding in the charity's' favour – see separate notes) but the building is converted for other use, which generates a lease income.

Conversion for residential would be the most likely viable use in this case. There is no credible case to be made for third party hirers for the venue as it is and even if there were, it would then beg the question why the charity itself does not form an organisation to deliver the same and retain the income (i.e. essentially the proposed option 5 below).

Given the objects of the charity to retain the building for community (and in part heritage) purposes, it is difficult to make a case for this option as the sole focus in this instance would be to generate financial returns from the asset for alternative use – whilst the charity could use funds generated for other purpose, it is not a property development/letting company. This option would likely entail significant 'mission drift'. Furthermore, the conversion costs would be very significant and there is no evident demand for this at present. This option is not recommended.

Option 4 – Minimum works (modernise the existing facilities)

Under this option, the building is put back ‘as is’ by replacing the mechanical and electrical systems, incorporating disability access requirements, addressing asbestos and wall ties/rendering, replacing windows and doors throughout, repairing the roof and areas of damage internally caused by water ingress and cosmetically upgrading the whole, but otherwise maintaining the layout and functions as they are.

There will still be a significant cost to achieve this, and given the high costs involved, this option could be pursued, but the difference in costs between this and the desired ‘vision’ (option 5, below) are not vast once that scale of capital funding is considered. Therefore, this option is not recommended.

Option 5 – Full scheme to refurbish and repurpose the building

The full option to pursue the vision, though the most costly, is not significantly greater (in capital funding terms) than the ‘minimal’ option 4 above, and so it is recommended to pursue this option 5, with the caveat that there may be elements that will have to be value engineered out depending on funding that can be secured.

There is an option to split this phase into two, securing the building envelope to make it watertight and prevent further degradation, and then a secondary phase to redevelop and refit internally. Delivering the first phase of this only, is not considered a viable option, but with a credible funding plan for the second phase, this is an option where funding timescales may not align with one another and allows the charity the opportunity to bid for short-term, time-limited funds to secure the structure (provided those funds are large enough to cover those costs in their entirety). This is a worthwhile option to consider for Levelling Up SPF funding, which needs to be allocated by March 2025.

This option (potentially split into two phases) is recommended.

5. Conclusion and recommendations

The building is not fit for purpose in its current condition – extensive works are required to bring its systems and structure up to required standards and it is not useable in its current state.

Whilst it is structurally sound, there is water ingress and (taking account of the extended timescales required to raise the necessary sizable capital grant funding to redress this) urgent action is required to prevent the building from further deteriorating.

The options appraisal outlines several scenarios. The only scenario considered viable is option 5 – the proposed redevelopment in line with the vision outlined in the accompanying HGA drawing and the business plan (achieving this may potentially be split into two phases, and possibly with some subsequent value engineering required to meet available budgets).

There is clear community interest in, and broad support for, the proposals that are supported by community consultative work prior to and during the feasibility study.

Some strong reservations were expressed by some members of the community in terms of the financial viability of the scheme in both capital and revenue terms – the former in terms of skepticism about the likelihood of raising the necessary capital sums and the latter related to some loss of trust due to the folding of the trading company.

Whilst the capital sum required is relatively sizable (£4.1m plus VAT) and will likely require multiple funding bids and a more complex funding package to be assembled, this is considered achievable using a mix of capital funding sources.

The revenue case has two major considerations:

- Firstly, from a business plan perspective, the business plan is essentially akin to two separate businesses within one trading company – the first a restaurant/café-bar and the second a ‘space for hire’ business, with the staging of artistic and cultural output largely supported by these two core functions. The former is based on previous track record at the site and is considered credible, and this element alone is not significantly greater than a modestly sized hospitality venue in terms of turnover. The latter (space for hire) is heavily reliant on the in principle commitment of the resident companies to be converted into a formal agreement (not possible at this early a stage when the funding package and timescales are still uncertain), with the balance of hire fees relatively modest in terms of targets.
- Secondly, from a governance perspective, the newly formed trading company Board and staffing will require good recruitment to secure the necessary skills to manage and deliver the project, and there will need to be some careful engagement and rebuilding of trust with some sections of the local community.

Despite some concerns expressed over viability, overall there is no strong community objection in principle and no clear viable alternative options with the ‘do nothing’ option presenting significant future challenges for the wider community.

Furthermore, there are no facilities existing or planned of an equivalent nature in scale and scope locally and regionally few comparators (and those that there are likely to be broadly complementary) and so there are no credible duplication concerns.

The building is in clear (and increasingly urgent) need of safeguarding both to prevent it becoming a hazard and also to retain it as a heritage and community asset and this is only considered viable with capital grant funding. There is a compelling case for its refurbishment and for the need for capital grant funding to achieve this.

Therefore, it is recommended that the charity pursue capital funding with prospective funders, beginning with SPF Levelling Up funding. Ideally, SPF would match other funders, but the timescales related to that funding stream both to secure and to spend funds require an alternative strategy. So, an option has been established (see separate reports) for a 'building envelope only' option to make the building watertight and prevent further degradation whilst additional funding is sought. This interim option for SPF funding should be pursued immediately.

The full capital costs can then be sought with fewer restrictions on timescales for the internal refurbishment of the building/the surrounding grounds. The funder of first resort for the remainder should be PYC, with early dialogue established for the potential funding ask, that will then provide a figure for the remainder of the capital costs to secure from other sources. A fundraising strategy has been prepared (see separate document) outlining various potential sources of funding to match PYC (and perhaps SPF) funds.

Benchmarks are provided in the attached business plan with indicative timescales attached – this cannot be more than indicative at this stage, with the main variable the time require to assemble and receive responses from multiple capital funders.

A key risk at this stage is insuring the building and safeguarding it until such time as the necessary capital funds can be secured and refurbishment works undertaken and this should be further explored as a matter of urgency, though it is possible that the state of the building may make it uninsurable.

In addition to this, the other immediate priorities for the charity are now to:

- secure the agreement of CISWO to secure the freehold transfer (in whatever form that may be) – this is urgent as this will almost certainly be a requirement of any capital funder, and so not much more can happen until this is resolved. We recommend that legal advice be secured to assist with this as it is a major risk to the future of the building if not swiftly and definitively resolved in a manner that permits the CIO to secure investment to redevelop and then operate the building; and
- formulate an application to SPF following the above to secure the building envelope (to include (to include establishing the extent of and treating the dry rot).

In conclusion, the project is considered worthwhile and feasible in principle. The required capital and revenue targets are ambitious but achievable and, subject to the resolution of the freehold discussions with CISWO, the charity should progress to the next stage of formulating proposals for capital funding as soon as possible.

Appendices

- CB3Consult – Structural Condition Report
- McCanns – Mechanical and Electrical Services Condition Report
- Protectahome – Dry Rot Report
- HGA – Architects drawings (x4)
- ERBrown – Quantity Surveyors Complete Cost Report
- Urban Foundry – Fundraising Strategy
- Urban Foundry – Business Plan
- Urban Foundry – Consultative Event write-up