

## SOUTH EAST REGION

Ms Pat Aird  
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MIDHURST  
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GU29 9SB

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Our ref: P00103044

21 June 2011

Dear Ms Aird

**KING EDWARD VII HOSPITAL, KINGS DRIVE, EASEBOURNE, WEST SUSSEX  
GU29 0BL.**

Thank you for consulting us on the latest form of this scheme, on which we have written before both to Chichester District Council and to yourself.

### **The 'second application'**

The current application is for a net increase of 22 dwellings on this site, and therefore a modification and some intensification of the previous application which has been referred on to your authority by Chichester District Council. The previous application had, in fact, been recommended by the District Council, against our advice which found the amount of development inadequate to achieve the stated purposes with reasonable certainty. The current application is therefore an attempt to find further value in the site, so as to reduce the conservation deficit and make the overall package viable.

### **The significance of the site**

Clearly the first question is whether the listed buildings (and specifically the main hospital building and chapel, which are both Grade II\*) are worth saving. I hope I have answered this question in my letter of 23 May. The hospital is an outstanding example of public building and philanthropy from the Edwardian era and one of the most ambitious large-scale examples of the Arts & Crafts style. The buildings have a very high original standard of materials and craftsmanship, which has stood them in good stead over time, but now after decades of sub-standard work this naturally poses a financial challenge for sympathetic repair and extension. They are set in a landscape which was mainly natural, but the immediate area was designed by Gertrude Jekyll, and this deserves attention as the setting of the Grade II\* buildings, although the



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landscape itself is registered at Grade II. The repair or restoration of these heritage assets would definitely be a public benefit, because of their individual quality and the quality of the ensemble.

### **The impact of the proposals**

Our previous letters to Chichester District Council (11 January and 1 April 2011) covered the question of whether the development then proposed harmed the setting of the heritage assets. We concluded that there would be some harm from elements of that development scheme, such as the proposed new block to the southwest of the chapel, but that if these elements were necessary to the financial equation their inclusion was not fatal to approval: they needed to be seen in the terms of PPS 5 policies HE 10.1 and 11, which balance harm against public benefit.

The new application does not alter this picture significantly, and does not alter this judgment. The buildings already proposed are all still proposed. The extra units would be provided either at a distance from the historic buildings, or in the case of the northeast block by an increase in height that would hardly be perceptible in the overall development. The additional units on 'King's Green', for example, would not close the vista which we insisted should be left open at its northern end.

### **The financial assessments**

English Heritage has not carried out its own independent audit of the financial information provided by the applicant but has relied upon the advice of the DVS.

We judged the first scheme to be inadequate because of the conservation deficit. This is often taken simply to be the difference between the value of a building before repair, plus the cost of repair, and the value afterwards, if smaller than the sum of the two. But in complex cases 'Development costs obviously include not only repair, but also, if possible or appropriate, conversion to optimum viable use, and a reasonable developer's profit appropriate to the circumstances' (*Enabling Development and the conservation of Significant Places* 5.4.1). The purpose of enabling development is therefore to bring the conservation deficit to zero.

It is common ground that the first application did not succeed in this: putting developer's profit at 25% (a reasonable level in the current economic climate), the DVS calculated the deficit at a figure of at least £24 million and perhaps even as much as £35 million. At the upper figure profit would be negligible, at the lower figure simply inadequate. Our Guidance does draw attention to the fact that experienced developers may be able and willing to assume this kind of risk (4.4.2). City & Country



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has argued that over the entire life of the project, several years, there is precedent to suppose that property prices will rise enough to absorb this deficit. The DVS report of 2 March 2011 broadly accepted this argument. However, whilst English Heritage are of the opinion that it is perfectly possible that this may happen, equally, building costs and interest rises may well rise, and there is no certainty that one would necessarily outstrip the other - as the DVS admitted in a subsequent report (letter of 28 April).

This subsequent report looked at the extent to which the situation might alter if there was a net increase in units, as in the current application, and also at the possibility of altering the balance of types of accommodation. The conclusion was that none of the other scenarios would bring the deficit down to zero. On present-day values (which to get a clear picture must be used) the conservation deficit would still amount to at least £18 million. In other words the current proposal is still not viable. It is not surprising that this should raise the question of whether, in that case, enabling development - at best an inefficient way to repair buildings or landscapes - is appropriate on this site. However, the deficit is significantly greater if the heritage assets alone were to be repaired and restored (we are advised the sum is in excess of £55 million).

There can be no doubt that the repair and restoration of these assets is a worthy public objective but we recognise that the extent of change to the environment around the site is a matter of deep disquiet to many people. If a scheme is to be approved it needs to be one which will indeed solve the problems of the site and not one which will need to be supplemented by more development should the equation turn against the developer: 'taking an incremental approach to enabling development, in which additional enabling development is sought once the scheme is under way or completed...is not an acceptable practice...because it is necessary to consider the effects of the enabling development proposals in their entirety before deciding whether the benefits outweigh the harm' (5.4.4). In this respect any enabling development proposal needs to conform at the time of decision to basic criteria laid out in the policy, and now repeated in PPS 5: 'it will secure the long-term future of the heritage asset' and 'the impact of the development is precisely defined at the outset'.

Whilst the applicant has been asked to disclose the purchase price this information has not been made available. The applicant has adopted a zero land value in their appraisals but if a positive sum has been paid, then in the real world, when calculating actual return on cost, this figure would be taken into account by the applicant.

### **Securing the Benefits**

This opportunity to save the assets should of course be vigorously explored. The option clearly exists of accepting City & Country's contention that it is sufficiently



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experienced to have read the weather and to be able to absorb any shifts in cost over the lifetime of the project. Moreover, the local authorities could resolve to oppose any further development if that should be sought. However, there would still be the danger of a shortfall which, if not made up, would leave the buildings half-repaired or converted, and perhaps lead to the undoing of whatever work had been completed. Further development, even if it avoided that fate by providing for the repair or conversion to be completed, might trench further on the setting of the heritage assets, to say nothing of the other environmental interests.

The only mechanism for preventing this is the Section 106 Agreement. If the repairs and conversion of the main assets (the main hospital block and the chapel) could be front-loaded so as to achieve that objective at a relatively early stage of the project the essential public benefit would be secured with a minimum of risk. We understand that this option has been rejected by the developer, as increasing the costs, citing our Guidance which states that 'with larger projects, an effective compromise *can* [my italics] be phasing' (7.5.1).

The Guidance does not state that phasing is invariably appropriate. It is most appropriate where there is a series of discrete assets that can be tackled separately. In this case, if an approach was to be adopted which repaired each wing in turn, for instance, a failure of the enterprise would leave the completed parts yoked to those which were at very best shells (since there will be a substantial element of removal, and many scars), and thus with significant loss of amenity and value. In our view, the increase in costs is merely speculative, while the benefit of reducing the public risk is paramount.

English Heritage continue to have concerns as to the viability of the proposal. The obvious risk is either of the development failing in its goal to achieve the long term beneficial use of the heritage asset, or the current applicant (or successor in title should they sell on) seeking additional development to make the project viable for them should their sales projections and costings prove incorrect.

There is never any certainty in property development and development appraisals are not 100% accurate. However, with a robust Section 106 (drafted with specialist legal advice) we believe that this second application could possibly work. In view of the public benefit from the restoration of these superb buildings, we would be prepared in that case to recommend that approval could be given.



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Yours sincerely

**David Brock**

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