

Funding maintenance and maintaining an income

Maintaining heritage buildings is a must to future proof the properties but can be costly. In this article we look at the key considerations, challenges and opportunities when completing maintenance.



One of the first things to be de-prioritised when funds are low is maintenance, which can mean needing to spend more in the future. How important is it that ongoing maintenance in a heritage property is managed? Can it be done efficiently and in a cost effective manner? And what steps can be taken to close the funding gap?

Why is routine maintenance of heritage properties important?

Planned routine maintenance will help to minimise or even eradicate decay, and the potential for more serious remedial work later and hence is cost effective. The fabric of a building can deteriorate quickly if it is not maintained. Minor issues can grow into larger, more complex problems if not addressed. Corrective maintenance later on is often more expensive and can be very disruptive.

The detrimental impact on the fabric of the building and impact on collections can be great. For example, a minor leak in the roof can result in rotting roof timbers, damage to internal ceiling and wall finishes and contents within the room. Consequential repair costs are significant and more importantly heritage is potentially lost for future generations.

Major restoration projects are very disruptive and progress can be delayed for a multitude of reasons such as:

- listed building consent
- planning permission
- availability of materials and specialist labour skills associated with the work being undertaken.

Building works can result in temporary closure of areas of the property or the whole estate. If the building is open to paying visitors, and used for events and outside hire, the loss of income due to closure can be significant. Insurance wise, completion of planned routine maintenance reduces the risk of property damage and hence insurance claims, which helps control insurance spend in the future.

In the event of a loss, insurance arrangements are available to help mitigate the consequences, such as 'Business Interruption' cover. However, this will only compensate financial loss, not the inconvenience, disruption and loss of heritage so you still need to implement a planned maintenance programme developed on the back of a condition survey of your property.

What challenges do Heritage owners face when contemplating maintenance?

There are a number of challenges when considering maintenance, mostly around funding, access to skilled resources, fire, security and environmental implications, and retaining income streams whilst the work is being completed.

Our survey with Heritage customers suggests **70%** are concerned about the cost of maintenance and repairs and the top concern (**79%**) was the impact of a major incident such as a fire¹.



Limited availability of skilled labour associated with repair and maintenance of heritage buildings can lead to higher costs for these services and further deterioration of building fabric whilst you wait for the specialist contractors to arrive. VAT is currently set at a rate of 20% to restore an older building compared to 0% for new builds², and sources of funding such as the Heritage Lottery Fund are decreasing as less people play and more projects vie for the same funding.

The Regulatory Reform (Fire Safety) Order 2005³ requires a responsible person (as defined in the Order) at a property to develop and maintain fire safety precautions based on a fire risk assessment of the property. When general maintenance and other building work is being completed, the risks associated with works being undertaken such as hot works, need to be managed. Therefore when contemplating maintenance and building work programmes, don't overlook the opportunity to introduce additional fire safety measures, such as fire compartmentation, fire stopping and fire detection, as part of the project.

The impact of planned works on the natural environment; animals, weather and vegetation can also be a concern. From infestation to having to work around a protected species and protection of the structure from the elements. These issues can all extend the period required to complete building maintenance, alongside further delays associated with any planning or consent requirements.

To ensure the safety of contractors, staff and visitors it is sometimes necessary to secure an area whilst maintenance work is completed. Maintaining existing revenue streams whilst such work is being completed then becomes an additional challenge.

How can heritage owners close any funding gaps to cover ongoing maintenance?

This is always a difficult question to answer as it is often the biggest issue for Heritage organisations. One-off funding can be useful for specific projects but finding sustainable methods of funding is a key priority.

For individual projects such as a restoration, there are grants from organisations such as the Heritage Lottery Fund, Historic England and other conservation bodies. The Heritage Funding Directory⁴ provides a number of sources. It is advisable to work with the funding agency and research exactly what is needed to qualify and provide the best chance of success. You can also consider corporate sponsorships.

For longer term and consistent funding, there are a number of options including diversification, offering annual memberships, heritage open days, hiring for events, or renting space for commercial or residential uses. Some of these options can help sustain revenue during major maintenance programmes, drawing revenue from the use of other parts of the estate.

Developing a robust business strategy and drawing on a range of revenue streams will support budgeted and planned routine maintenance, as well as the development of contingency funds to support major maintenance and restoration programmes in the future. Chatsworth House is a great example of this.

The Chatsworth House Trust was set up for the long-term preservation of Chatsworth House, the art collection, garden, woodlands and park for the long-term benefit of the public. It is funded by visitor admission income and has been in place for many years. So much so that a large proportion of their 13 year 'Masterplan' restoration project was funded by the Trust⁵. A well planned and managed programme of works also enabled them to remain open to the public throughout the project.

Chatsworth and other estates and museums, such as Brooklands Museum and Sudeley Castle are good examples of diversification, having opened their doors not just to tourists but to events, private hire, catering, as a training venue and other activities.

What are the benefits of diversification?

There are many benefits to diversification, all leading to increased revenue and can be on a scale to suit your needs. Effective diversification plans can help increase the relevance of your property within the current market and broaden appeal to a wider audience, leading to increased footfall. Diversification can stimulate interest in heritage amongst different types of groups, possibly helping to close the skills gap currently seen in relation to traditional building skills such as stone masonry. It can also help build a positive reputation and create stronger links with your community. And it doesn't have to be costly to set up.

There are many options for diversification, small or large, temporary or long-term, depending on your appetite for new visitors and the funds you have to back the project. Such as:

- **Cater for school visits** - there are over 1.6million **school visits** to historic properties each year⁶. These visits help to generate interest in heritage properties among a younger audience and inspire future generations of people with heritage skills.
- **One-off tourism / heritage festivals** - heritage is one of the UK's 12 unique selling points and visits generate billions for the economy⁷. Heritage Counts found that 86% of visitors said they visited a local site to support their local heritage⁶. And one-off events are a fantastic way to introduce your premises to a broader audience and research shows if they visit once, it's likely they will return. In 2017, the Heritage Open Days initiative attracted 3million visitors, over 60% were visiting for first time and 80% felt encouraged to visit more properties in the future⁶.
- **Rent space** - to a local project or business on a long terms basis and help to provide employment, build community support and generate income. 1.4million jobs are with businesses occupying a heritage building and many are in the creative and charitable sectors⁶. The desire to provide rental space might also create the opportunity and funds to regenerate an otherwise unused space.
- **Make the property available for heritage skills training** - about one third of craftspeople are equipped with the skills to work with traditional materials⁸. Over half the respondents in our recent survey said they would work with training organisations and make their property available for specialist heritage skills training or provide opportunities for apprentices, providing stimuli for the future of skills¹.
- **Extend the opening hours or offer unusual hours of access** - explore activities such as champing, 'museums at night', ghost hunts, evening concerts and sleepovers.
- **Experience days and vouchers** - sell entry tickets online, package with an afternoon at your café, host courses such as cooking, kitchen gardening and falconry.
- **Community and education hub** - do you have a space that can be used for adhoc business meetings, community support or social groups? There may be opportunities to allow students to be a tour guide for you or to invite a local hobby class to learn photography etc. For example Blenheim Palace provides outreach and educational opportunities for children and adults.

- **Be a film location** - registering as a film location⁹ can present a variety of opportunities. Maybe your premises could become the next Downton Abbey, and in turn, you should see an increase in footfall from fans.
- **Regenerate buildings no longer in use** - Brooklands Museum turned a hanger that was once the power source for a wind tunnel, into a 4D theatre and ticket office.
- **Employ digital technology** - provide a different type of experience onsite or remotely; this will enable more visitors to enjoy your premises and collections. The National Gallery are a great example and present a Virtual Reality tour of their collections. English Heritage has also been working with Google to create fascinating online footage of previously unseen artefacts and places.
- **Organise charity events** - we are a nation of runners, picnickers and fundraisers and event organisers are always looking for a suitable venue to host such events.
- **Become a destination for proposals** - unusual or beautiful grounds make desirable locations for life events like proposals.
- **Go on tour** - take your story on tour to reach new audiences and communities; worth considering if works onsite means your property is closed.

What are the key considerations when undertaking building maintenance works?

It is particularly important to use traditional materials and employ skilled contractors with experience and understanding of Heritage buildings and who have relevant third party accreditation. For example, we have heard of contractors drilling through centuries old wood panelling. The alumni of the MSc Sustainable Heritage course at University College London have also told us how the incorrect analysis and application of mortar is a regular problem in heritage building conversations. There are multiple recipes for mixing mortar, if it is too strong, damp will filter through stone and brick work around the mortar leading to cracking and crumbling. Employing contractors with relevant experience is essential to deliver maintenance works that will be long-lasting and cost effective.

87% of general construction companies do not hold formal qualifications relating to traditional buildings⁶.



The completed work and the contractor should comply with the relevant Statutory Regulations such as Construction Design and Management (CDM 2015) and the Fire Safety Order.

Other considerations include:

- Ensure you have suitable method statements and Risk Assessments from contractors ensuring safe systems of work are agreed and adopted for the duration of planned works. Where applicable, contractors should follow the Joint Code of Practice on Fire Safety on Construction Sites and contractors should be carefully supervised for their own safety as well as that of employees, visitors and other users.
- Any impact on the effective performance of existing fire detection and compartmentation, how waste from the works will be safely managed and how any hot works will be managed.

Continued overleaf

- Changes to existing security arrangements to reflect additional risks introduced by building and maintenance works such as scaffolding and ladders. Are they erected and secured correctly, using robust hoarding to a suitable height to restrict access? Agree how any ladders will be secured when not in use to prevent them being used to gain unauthorised access to the property. Ensure access of third party contractors working onsite is controlled, restricting them to defined work areas to reduce the risk of damage or loss to any collections located elsewhere in the property.
- Is your existing building sum insured for insurance purposes adequate? Will it support repair/reinstatement in event of insured losses and does your insurance cover things like lengthy delays caused by planning applications or legal dispute. Also ensure that contractors have adequate and relevant insurance arrangements in place.
- Develop a Disaster Recovery Plan for your business to support a swift recovery should the worse happen, including a snatch list for valuable/key art/antiques or important artefacts.
- Finally, consider how processes are shared with your staff and volunteers and that someone with full knowledge and access to plans is on duty at all times. You may like to consider additional training.

What opportunities may arise as a consequence of maintenance work?

A planned maintenance routine is not only cost effective and helps to future proof your property, but can also present additional opportunities.

You can plan to introduce preventative measures or update safety and security measures at the same time, such as fire stopping/compartmentalisation and upgrade fire detection systems. You can take the opportunity to install non-combustible materials to replace older combustible materials.

One of the reasons the Chatsworth restoration was so successful was because they took the opportunity to review and make upgrades. For example, weather patterns illustrated the projected impact on the existing roof design so they were able to plan amendments. They also tracked the chemical composition of the natural spring waters that feed the house to determine the impact on the type of pipes installed, and as a result they upgraded the pipes to ones that would not continue to erode.

Another possibility is to install eco-alternatives such as biomass boilers and solar panels. These can help keep costs down and potentially provide an income by selling power back to the grid.

There are ways to successfully tackle the cycle of funding maintenance and maintaining income so that you and future generations can continue to enjoy your historic property. It can be a complex journey and so it is worth seeking advice from heritage experts who can provide helpful support and guidance.



About the authors



Faith Parish, ACII – Director of Heritage, Education & Art & Private Client

Faith was appointed Director of Heritage, Education at Ecclesiastical Insurance in July 2015. Since joining Faith has focused on developing new products and propositions for Education, Heritage and Art & Private Client customers. Faith has over 19 years' experience in the insurance industry having previously been employed with Zurich in a number of senior underwriting and marketing roles and is a qualified Chartered Insurer.



David Parkinson – Risk Management Technical Services Manager

DIP CII, NEBOSH National Diploma in Occupational Health and Safety, CBCI.

David has been with Ecclesiastical for 30 years and is a highly experienced Risk Management practitioner. With 25 years in Risk Management and a passion for supporting customers in loss prevention in his role as the manager of the Technical Services team, David provides risk management advice and valuations across a wide portfolio of risks from commercial to Treasure Houses, and Cathedrals to modern high net worth homes.

1 Based on 155 respondents in the FWD Ecclesiastical annual Heritage tracking survey 2017

2 VAT: <https://www.gov.uk/government/publications/vat-notice-708-buildings-and-construction/vat-notice-708-buildings-and-construction>

3 Fire Regulations: <http://www.legislation.gov.uk/uksi/2005/1541/contents/made>

4 Heritage Funding Directory: <https://www.theheritagealliance.org.uk/fundingdirectory/main/fundinghome.php>

5 Chatsworth Masterplan: <https://www.chatsworth.org/about-chatsworth/the-masterplan/>

6 Heritage Counts 2017 report, Historic England

7 GREAT campaign, Heritage Counts 2017

This document is provided for information purposes and is general and educational in nature. Nothing in this article constitutes legal advice. You are free to choose whether or not to use it and it should not be considered a substitute for seeking professional legal help in specific circumstances.

For further information visit
www.ecclesiastical.com



Ecclesiastical Insurance Office plc (EIO) Reg. No. 24869. Registered in England at Benefact House, 2000 Pioneer Avenue, Gloucester Business Park, Brockworth, Gloucester, GL3 4AW, United Kingdom. EIO is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. Firm Reference Number 113848.