

REPORT FROM: DIRECTOR OF PLACE

TO: TOWN DEAL BOARD

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NELSON TOWN DEAL TRAFALGAR HOUSE UPDATE

PURPOSE OF REPORT

To outline the potential opportunity to increase the funding for Trafalgar House to enable partial demolition and renovation of the historic front portion of the building.

RECOMMENDATIONS

- (1) To approve the virement of £673,000 from Pendle Rise Shopping Centre (PRSC) and Relocation Budgets across to Trafalgar House.

REASONS FOR RECOMMENDATIONS

- (1) To provide sufficient funds for the Trafalgar House project to be delivered.

1. Executive Summary

2. This report seeks approval from the Town Deal Board for the virement of £130,000 from the original budget for PRSC and £543,000 from the original budget for Relocation Properties across to Trafalgar House to enable the partial demolition of Trafalgar House and the renovation of its historic front portion.

3. Information & Background

4. The Trafalgar House proposals consist of the demolition of the rear of the building and the retention and renovation of the historic front of the building. The front would provide for offices with a car park to the rear of the site.

5. The redevelopment of Trafalgar House was included in the Revitalised Nelson Programme (Revitalised Nelson) as part of the Nelson Town Deal Plan along with the redevelopment of Pendle Rise Shopping Centre and the provision of Relocation Properties.
6. The aim of Revitalised Nelson is to regenerate Town Centre assets through a delivery vehicle - Penbrook Developments Limited (Penbrook) - which is a joint venture between The Council and Brookhouse Developments Limited.
7. The Board of Penbrook agreed to the proposals for Trafalgar House in principle. Normally the agreed commercial return - which was agreed in the shareholders agreement that was entered into between PBC and Brookhouse at the time that Penbrook was established – is 10% of project value. In the case of the Trafalgar House project, as Penbrook will be acting to manage the development rather than make a commercial return, this has been reduced to 5% (subject to formal ratification at the meeting of the board of Penbrook scheduled for the 4th December 2025).
8. At the meeting of the Town Deal Board of 19th September 2025, it was reported that Howell Goodfellow Quantity Surveyors, working on behalf of Penbrook, had been liaising with local contractors to firm up the costs of the Trafalgar House project against the cost plan estimate that was presented to the Town Deal Board in June at around £1.64million. This was being done to see if a construction cost of £1.55million could be achieved.
9. Unfortunately, this has not been possible and due to increasingly rapid deterioration in the condition of the building and some cost inflation, Howell Goodfellow's estimate has now increased to £1,702,066 as per the attached schedule. Of this amount the cost of demolishing the rear part of the building is estimated at £460,898. This estimate could change up or down when the construction contract is tendered. It should also be noted that the QS cost plan only contains a 3% contingency, which may be considered light for a demolition project, particularly considering the rapid deterioration in the building.
10. The amount of unspent Town Deal funding for Trafalgar House is approximately £1.5million. Therefore, there are currently insufficient Trafalgar House Town Deal funds to deliver the project.
11. Discussions with potential occupiers of Trafalgar House are continuing and, as previously reported, could potentially include a post-refurbishment option to buy within the pre-let agreement with an operator. However, this is not certain and there is no current mandate from PBC to agree to the sale of the building. The estimated value of the building, post renovation is between £225,000 and £290,000.
12. Both potential occupiers intend to create a type of community hub and as such would deliver social value. One of the potential occupiers would also provide a base for and access to a professional services hub (Legal, Property, Accounting etc.). This would also operate as a commercial concern from the property. Discussions with potential occupiers are continuing.
13. The increasing construction costs, the relatively low value of the Trafalgar House, post refurbishment, when compared to the costs of saving it, and the lack of any current mandate to sell the building, mean that disposal of the building cannot be relied upon to make up the funding deficit.
14. At the same time as options have been being explored for Trafalgar House there is an increasing level of certainty on the financial outcome of other aspects of the Revitalised Nelson project.

15. The PBC Executive have approved the appointment of the preferred bidder for the demolition of Pendle Rise Shopping Centre (PRSC) at £1,168,867 against the budget for PRSC demolition of £1.5 million. There will also be an anticipated saving of c£300,000 on CPO fees, following the completion of the CPO without the need for a public inquiry. Against this are provisions for claims for disturbance during demolition works, fees for managing the demolition process and contingency. The net outcome of these considerations being a £130,000 reduction in the PRSC budget on a worst case scenario.
16. More retailers than expected have negotiated settlements, in line with the CPO code, that have not required relocation properties to be provided. Therefore, there is a forecast underspend on this project of £543,000 even allowing for a worst-case scenario.
17. These savings against budget, if transferred to Trafalgar House would provide a financial outcome as per the following table.

Item	£
Costs	
QS Estimate	1,702,066
Additional 15% contingency	256,231
Planning and Professional Fees	70,000
Penbrook Development Mgt Fee	85,000
Client side professional fees	150,000
Sub Total	2,263,297
Funding	
Budget	1,590,297
Relocation Properties Virement	543,000
PRSC Virement	130,000
Sub Total	2,263,297
Balance	
Total	0

18. The additional contingency of £256,231 (15% of construction costs) has been included due to the increasing deterioration in Trafalgar House (see paragraph 22). The £70,000 planning and professional fees are based on a Penbrook estimate of the costs of obtaining planning permission, given the status of the heritage value of the building in a conservation area. The management fee of £85,000 represents the reduced level of fee agreed between Brookhouse and PBC for managing the development (subject to Penbrook Board approval). The budget for client-side professional fees, including project management, consultancy and survey fees of £150,000 represent costs incurred to date with projections as to any additional costs that may be incurred during the project.
19. The proposed virement should be considered in the context of some risks and issues.
20. **Risks and Issues**
21. **Cost inflation**
22. The condition of Trafalgar House is now deteriorating at a rapid rate, meaning that the cost of demolition will increase accordingly. It will not be possible to remove hazardous material in advance of demolition for much longer, and if this has to be done after demolition it will significantly increase costs.

23. Cost estimates are going up with each review exercise as the amount of work to deal with the dilapidation in the building increases, along with the effects of cost inflation generally.
24. The demolition costs in the latest cost plan have been formulated in conjunction with submissions from local contractors. However, Goodfellow Howells have only allowed for 3% contingency in their cost plan. This might be considered light.
25. In light of the risks outlined in paragraphs 22- 24 inclusive, an additional 15% contingency has been included. A prompt decision on the way forward for the project is required.
- 26. Insufficient funds left for PRSC**
27. The final budgetary outcome on the Revitalised Nelson programme will of course depend on the final levels of compensation and relocation costs agreed with the tenants and telecom companies. However the budgeting exercise outlined in Paragraphs 14-16 inclusive has been based on a worst case scenario.
- 28. Town Deal Outputs**
29. For Revitalised Nelson, Trafalgar House provides an output of a heritage asset saved and contributes to repurposed floor space. However, in the recently announced new MHCLG monitoring regime, there is no longer any need to submit a formal Project Adjustment Form (PAR) for variations to funding allocations or outputs/outcomes achieved. The decision to vary funding or outputs within the Town Deal Programme rests with the Town Deal Board and the Local Authority and must specifically be signed off by the Section 151 Officer.
30. If the Town Deal Board approves the proposed virement of £673,000 of funding to Trafalgar House from PRSC, a report will be taken to the December meeting of the PBC Executive for formal approval. It is a PBC building, and there is an existing PBC mandate to seek to pursue partial demolition while retaining the historic front part of the building. In effect this PBC mandate would act as the PAR.
- 31. Town Deal Board's aspiration to fund additional projects**
32. The Town Deal Board has expressed an aspiration to support additional projects from any underspend of the Town Deal Fund once the original core projects have been delivered. Projects are currently being identified accordingly, and a report will be brought to a future board meeting.
33. The level of underspend will be determined at a future point. This will require
 - completion of negotiations with tenants on CPO compensation
 - finishing demolition of PRSC so that costs and any disturbance claims are known
 - obtaining planning permission and then partial demolition of Trafalgar House
 - successful contracting of the renovation of the remaining portion of Trafalgar House post partial demolition

Appendices

- Howells Goodfellow Cost Plan
- Draft Trafalgar House Proposals