

Archbishop's Palace Options for Future Use

Final Decision-Maker	Policy and Resources Committee
Lead Head of Service	Mark Green – Director of Finance and Business Improvement
Lead Officer and Report Author	Deborah Turner – Corporate Property
Classification	Public
Wards affected	High Street

Executive Summary

The Archbishop's Palace is currently let to Kent County Council. Possession and responsibility will return to Maidstone Borough Council in 2022. To ensure that the property can continue to be maintained and protected in the future, new uses need to be considered that are both economically viable and are aligned with the overall development of the surrounding area, within the context of the Council's priority of Thriving Place and the emerging Town Centre Strategy.

A feasibility report has identified possible uses and additional work is now required to take forward a preferred and financially viable use.

The Council wish to consult on the proposed options and to seek expressions of interest from parties experienced in developing sensitive heritage buildings to progress plans to the next stage.

This report sets out further information with respect to the scope of works, proposed method of delivery, timescales for delivery and indicative financial commitments.

Purpose of Report

Decision

This report makes the following recommendations to this Committee:

1. That the Committee notes the feasibility report for proposed new uses of the Archbishop Palace shown at Appendix 1.
2. That a Public Consultation is carried out as described in paragraph 2.35 of the Officer Report.
3. That the Director of Finance and Business Improvement is granted delegated authority to invite Expressions of Interest from developers and consultants practised in developing schemes for heritage buildings for the stage 1 project work at Archbishop Palace.

4. That the Director of Finance and Business Improvement is granted delegated authority to enter into an Exclusivity Agreement with a preferred consultant to develop a scheme for works and/or change of use for Archbishop's palace.
5. That the Head of Mid Kent Legal Services is authorised to instruct/appoint the Solicitors required and to complete the necessary contract documentation and agreements associated with the works and consultancy services provided for Archbishop's Palace, on the terms as agreed by the Director of Finance & Business Improvement.

Timetable	
<i>Meeting</i>	<i>Date</i>
Policy and Resources Committee	21 st July 2021
Public Consultation	October 2021
Review of Public Consultation Results	November 2021
Invitations for Expression of Interest	November 2021
Analysis of EOIs and recommended use	January 2022
Policy and Resources Committee for decision to enter into Exclusivity Agreement with preferred consultant	January 2022
Exclusivity Agreement	February 2022

Archbishop Palace

1. CROSS-CUTTING ISSUES AND IMPLICATIONS

Issue	Implications	Sign-off
Impact on Corporate Priorities	<p><i>The four Strategic Plan objectives are:</i></p> <ul style="list-style-type: none"> • <i>Embracing Growth and Enabling Infrastructure</i> • <i>Safe, Clean and Green</i> • <i>Homes and Communities</i> • <i>A Thriving Place</i> <p>The project described in this report supports the Council's Strategic Plan objectives, most notably A Thriving Place.</p>	Director of Finance and Business Improvement
Cross Cutting Objectives	<p><i>The four cross-cutting objectives are:</i></p> <ul style="list-style-type: none"> • <i>Heritage is Respected</i> • <i>Health Inequalities are Addressed and Reduced</i> • <i>Deprivation is reduced and Social Mobility is Improved</i> • <i>Biodiversity and Environmental Sustainability is respected</i> <p>The report recommendations support the achievements of the cross-cutting objectives by respecting the heritage of the existing building with sensitive design and addressing environmental sustainability by upgrade works to improve the use and condition of the building.</p>	Director of Finance and Business Improvement
Risk Management	Already covered in the risk section.	Director of Finance and Business Improvement
Financial	The initial feasibility studies have been undertaken from the Financial Sustainability Fund PID. Once a scheme is identified the financial impact of that scheme can be fully considered. The running costs of the building are currently	Director of Finance and Business Improvement

	£250k per annum which are at present paid for by the tenant.	
Staffing	We will need access to extra external expertise to deliver the recommendations.	Director of Finance and Business Improvement
Legal	Acting on the recommendations is within the Council's powers as set out in local authority legislation (including the general power of competence under the Localism Act 2011) and the Council's Constitution.	Team Leader Contracts and Commissioning
Privacy and Data Protection	No implications	Policy and Information Team
Equalities	An EqIA will be carried out as part of the project along with public consultation.	Senior Policy and Engagement Officer.
Public Health	No implications	Public Health Officer
Crime and Disorder	No implications	Head of Regeneration and Economic Development
Procurement	<p>The Council will follow the procurement exercises for Expressions of Interest and follow up with an Exclusivity Agreement.</p> <p>On accepting the recommendations, the Council will then follow procurement exercises to appoint the necessary Consultant to facilitate the delivery of the project. We will complete those exercises in line with financial procedure rules and applicable public contracts regulations and principles if required.</p>	Head of Service & Section 151 Officer
Biodiversity & Climate Change	The proposed developments at the Archbishop's Palace provide an opportunity to help ensure that the Council's objectives for carbon emissions from its own estate are met.	Head of Service & Section 151 Officer

2. INTRODUCTION AND BACKGROUND

- 2.1 The Archbishop's Palace is one of a group of medieval buildings of great historical significance, including All Saints Church and the Archbishop's Tithe Barn and Stables (now the Carriage Museum). The Council has owned the Archbishop's Palace since 1904.
- 2.2 The Archbishop's Palace was let in Nov 2005 to Kent County Council (KCC) for use as a Registry Office and Coroners Court. The lease to KCC expired 31st Oct 2020 but KCC have held over under the existing lease and remain in occupation. The intention is for KCC to vacate the building in September 2022 at which point responsibility for the property will pass back to Maidstone Borough Council.
- 2.3 The Archbishop's Palace is a Grade 1 Listed Building and as a result of this requires sensitive and specific care and maintenance. The current annual maintenance costs are in the region of £200,000 per annum (excluding staffing) which are currently recharged to the tenant under the terms of the lease. From September 2022 the Council will become responsible for all costs associated with holding, securing, protecting and running of the building. The Palace is a valuable property asset which will greatly contribute to create a Thriving Place for the town centre.
- 2.4 With the pending return of the building to the Council, a feasibility report to consider future uses of the building, was commissioned with the following objectives:
- Respect the historic fabric of the building
 - Bring the building promptly back into active use
 - Any proposed use should be economically viable
 - Develop linkages to the property with the surrounding area, particularly the River Medway, Lockmeadow and the Town Centre

The scope of the report was to investigate the potential for alternative uses to suit existing internal and external spaces, to consider the existing town centre and heritage setting, to provide plans demonstrating potential layouts and a high-level scope of works from which initial costings could be developed.

Simon Innes Associates were commissioned to carry out the report (November 2019) which is included as an Appendix to this Report.

- 2.5 Work to consider future uses and options for the Palace commenced in 2019, well before the Covid 19 pandemic. The Simon Innes Feasibility Report concluded in November 2019. Soft marketing testing followed for the possible options presented in the report in Jan 2020. Members briefing held 20th February 2020 at the Town Hall to present the feasibility report and its findings. It was agreed that next steps would be for a public consultation on the report options, however this did not proceed due to the national lockdown restrictions.

- 2.6 The Simon Innes Report made recommendations for improvement to the public realm around the Palace and to pedestrian/cycle connectivity with the town centre and Lockmeadow as key to any proposed alternative use. In conjunction with the Lockmeadow development works, a report has been carried out recommending specific improvements that can be undertaken to enhance the signage, lighting, and landscaping between the two sites. A proposal to use some town centre improvement S106 monies for public realm works is being prepared.

Site Description

- 2.5 Archbishop's Palace is a Grade 1 Listed historic building, which the Council has owned since 1904. The Palace was originally used as a stopover for travelling archbishops on the way to Canterbury. The building is a complex structure, a result of many periods of incremental change including the recent minor changes of the late 20th century to enable its current use. Layers of building and alteration overlap and it is considered that all historic periods of the building should be treated as equally important.
- 2.6 The Palace occupies a prominent position on the River Medway with gravelled driveway to the front, accessed from Bishops Way. The Palace setting includes gardens to the east and north, the Norman Undercroft, the adjacent All Saints Church and the Carriage Museum. The Gatehouse sits at the edge of the site and is also currently let, to Logic PM, until January 2025. Bishops Way road severs the Palace from the Carriage Museum and the River Len, making access on foot or cycle difficult between key sites.
- 2.7 Despite the town centre location of the Palace, it has poor connectivity with the town and the River Medway. Bishops Way and the current pedestrian crossing layout into Mill Street mean poor accessibility. The route over the footbridge to Lockmeadow is an established pedestrian access but lacks adequate signposting and lighting. The Palace is located close to the Council owned Palace Avenue Car Park, Mill Street Car Park and College Road Car Park.
- 2.8 The building accommodation itself includes two large function rooms, separate entrances to ground and first floors with limited accessibility to some spaces and a complicated internal layout and levels. The second floor is converted attic space currently used as offices and storage.

Feasibility Report and Initial Market Testing Brief and Scope of Works

- 2.9 The Report identified four possible uses and provided a brief commentary on the viability of those uses, the uses being:
- OPTION 1 Co-Working and/or Serviced Offices
 - OPTION 2 Training and Seminar Centre
 - OPTION 3 Wedding and Seminar Venue
 - OPTION 4 Boutique Hotel
- 2.10 Following the Report it was considered useful to undertake some soft marketing testing for the four options to gauge local interest. Using local

contacts and in house teams we discussed the options with Co Working Space Operators, Event Planners, Hotel and Venue Operators, Performance Space Operator, Property Managers, KCC Property, MBC Principal Conservation Officer & MBC Planning Officer and Historic England.

- 2.11 The effect of Covid19 on the economy and some of the sector uses previously proposed may mean that some of the previous options may no longer be as viable or attractive to operators.

OPTION 1 - Co-Working and/or Serviced Offices

- 2.12 The report suggested the continuing use of the smaller rooms as offices with the larger function rooms for training and activities, with the variety of room sizes being able to offer flexibility to prospective tenants. The use would require the latest in WiFi and data cabling technology but has the advantage of a phased investment.
- 2.13 However, operators considered the lack of sufficient open plan break out areas which are essential for Co Working success, to be a huge barrier. In addition, lack of onsite parking was considered a big challenge especially where competitors do offer parking.
- 2.14 Serviced offices were considered as a better, more workable option. The variable room sizes of the Palace could attract both start up and growing businesses. Main obstacle again was lack of onsite parking. Office space in the town centre has been in short supply but this demand has been for larger traditional office accommodation with parking, not shared office space. Two new co-working/serviced centres have recently opened in the town centre and operators are reporting low demand.
- 2.15 Use by a single tenant as a HQ/Training Centre has some merit and is attractive because it would mean less structural alterations than some other uses but attracting a tenant of the size and type required to occupy the building is likely to prove difficult especially with restricted onsite parking leading to the likelihood of the building sitting empty while a tenant was found.
- 2.16 The previous advice and comments were obtained pre Covid. Covid 19 has led to a change in the way that businesses work and occupy space. This may create an opportunity for the Palace to be used more flexibly for smaller offices but the demand could be less and the issues with parking remain.

OPTION 2 - Training and Seminar Centre

- 2.17 The Report suggested tapping into the popular market in corporate training, workplace seminars, team building and away days. This would be likely to require the installation of an in-house kitchen, with the variety of room types offering flexible areas for break out and different activities. The Palace would have the flexibility to offer room-only hire rates with refreshments available from the town centre or could still provide a traditional catered offering.

- 2.18 There is a definite lack of meeting rooms in the town centre for both business and training and social gatherings. All larger facilities are out of town and pre Covid had good demand. There are a large number of out of town facilities offering fully catered packages and onsite parking. Whilst charge rates are high, there is a lot of existing competition in the wider Borough.
- 2.19 Use of large meeting spaces could continue to be restricted whilst living with Covid-19.

OPTION 3 - Wedding and Seminar Venue

- 2.20 This use builds on the established current use and extends it for use as the wedding reception and possible overnight stay. The garden offers photo opportunities and the proximity of the All Saints Church could offer additional ceremony choices.
- 2.21 The layout of part of the building is already set up and ready to go with the large function halls. Likely to require installation of a commercial kitchen and significant accessibility works.
- 2.22 There is an existing wedding relationship with local wedding service providers and with the reputation with the residents of Maidstone. Demand for wedding venues is high, most of which at present are out of town but good marketing could drive demand to the town centre location.

OPTION 4 - Boutique Hotel

- 2.23 The Report indicates that the Palace could accommodate 12 rooms, some with river views but also providing restaurant and/or additional function room space. It is likely to require the most alteration to the fabric of the building.
- 2.24 Initial feedback is that the building could make an impressive boutique hotel. The inclusion of an attractive restaurant and good use of the external space would likely be essential for financial stability of this use. The Slatters at Canterbury has been quoted as a working example.
- 2.25 The lack of high-quality hotels in the town centre was not a deterrent for the operators that we spoke to and in fact was seen as an opportunity. The redevelopment of the former Peugeot site and the five town centre sites are likely to drive demand for better quality hotels in the town.
- 2.26 This sector has been badly hit by Covid-19 but interest from a hotel developer in the site remains.

NEW PROPOSAL – OPTION 5

- 2.27 As a result of the market testing a new option was suggested of combining some of the options to spread the commercial risk of the project across several sectors.

- 2.28 This would mean use partly for individual office units to a range of small businesses, whilst also operating a small conference, meeting and seminar centre with occasional public access requirements staging small performance events in the evenings, recitals, readings, comedy/drama performances. A working example of this would be Barham Court.
- 2.29 The most difficult obstacle to overcome would be acoustics, but pairing quieter uses together and having sole use for a noisier event could have potential.
- 2.30 Mixed sector use could be a good way to spread the risk of alternative uses for the building.

POSSIBLE COUNCIL USE

- 2.31 The Council's office accommodation strategy is currently under review in light of the forthcoming expiry in October 2023 of the Council's offices at Maidstone House. The Council's existing property assets including Archbishop Palace are therefore being reviewed for office use.

Next Steps

- 2.32 A Members' briefing was held 20th February 2020 at the Town Hall to present the feasibility report and its findings. The costs of running and maintaining (not including staffing) the Palace building only, are in the region of £200,000 per annum and Members supported the need to agree a use that would as a minimum cover these overheads.
- 2.33 Following the Members' briefing in February 2020 a meeting was arranged between representative of All Saints Church and officers to discuss the wider context of the Palace. The Church is currently developing an action plan to address a range of short, medium and long term issues that it faces with the fabric of the building. The Council is participating in a consultative group established by the Church, in order to ensure that its plans and the Church's align with one another.
- 2.34 As part of the Council's wider Town Centre Strategy, which is subject to a separate report on the Committee's agenda this evening, the potential for the overall development of the surrounding area to form a Heritage Quarter will be considered and funding opportunities explored. Any development of the Archbishop's Palace will be aligned with the emerging Town Centre Strategy, and opportunities created by this Strategy to expand the scope of work on the Archbishop's Palace (eg by including the Norman Undercroft) will be explored.
- 2.35 However, in the meantime, and in view of the likely return of the Archbishop's Palace to Council control in 2022, it is recommended that immediate steps are taken to progress options for the Council's occupancy of the Palace. The first step will be a Public Consultation exercise to obtain support, feedback and additional comment for the proposed options. Each of the five options will be presented with a proposed floor plan and comments invited.

- 2.36 The results of the Public Consultation will be reviewed and should there be overriding support for an option, more work will be undertaken to consider the best procurement route. If all options are considered favourably, a procurement opportunity will follow, seeking Expressions of Interest from consultants who are qualified and experienced to develop a scope of works and/or change of use scheme with financial feasibility for the Palace, with reference to the Council's scope based on the previous feasibility report and guided by the consultation results.
- 2.37 The Expression of Interest (EOI) would require consultants to justify their preferred proposed use of the Palace, a financial assessment, their source of funding, their previous experience of heritage properties, evidence of similar projects/case studies, proposed timescales, methodologies and any proposed partnership arrangements.
- 2.38 Upon receipt of the EOIs, officers will evaluate responses and identify a preferred consultant to take forward a proposed scheme for the Palace. By entering into an Exclusivity Agreement with a preferred expert consultant, the Council can obtain the best flexibility to explore options with planners and English Heritage and develop a scheme that meets the objective of being economically viable whilst protecting the heritage of the building.
- 2.39 The Exclusivity Agreement will define the services that are required of the consultant during that phase, the services the Council will require will include, but not be limited to:
- Contribute to the design process itself;
 - Advise on buildability, sequencing, and construction risk;
 - Advise on the packaging of the works (and the risks of interfaces between packages);
 - Advise on the selection of specialist contractors;
 - Help develop the cost plan and works programme;
 - Undertake surveys and investigations and deal with the submission of any planning application and advising on any related planning matters.
- 2.40 Ongoing discussions are taking place with Planners and Historic England to ensure that any proposals have the support and guidance of the statutory bodies.
- 2.41 The Council can utilise the benefits that the Exclusivity Agreement will bring to the project at pre-planning stage in shaping the scheme to achieve budget, providing buildability advice and input from their supply chain as well as de-risking the scheme as far as foreseeably possible to give cost certainty. Through collaborative working, the Council would have certainty of cost, programme, sequence, buildability and risk for the project to determine if it is an attractive and viable scheme to proceed with.
- 2.42 The Exclusivity Agreement would be subject to the agreement meeting the Council's specific requirements and our own financial considerations and processes. The intention being to continue to work with the preferred

consultant for the second-stage subject to satisfactory performance in stage 1. It is envisaged that further competition can be introduced into the second stage by an open-book approach to the tendering of sub-contracts for any works resultant of the design and planning stage.

Financial Commitments

- 2.43 At this stage we only have very rough guide figures (obtained pre Covid) as to the cost of alterations to the Palace to provide an economically viable use but these could be in the region of £500,000 plus. The Norman Undercroft alongside the Palace was not included within the feasibility report and costs to bring this building into use are likely to greatly exceed the cost of alteration to the Palace.
- 2.44 Kent County Council currently pay the Council rent of £96,000 per annum and KCC are also responsible for the running and maintenance costs, estimated at £200,000 per annum. In addition KCC have their own staff to run and oversee day to day activities on site. From July 2022 the Council will be responsible for all costs of the building.
- 2.45 By seeking EOI and entering into an Exclusivity Agreement the Council can initially keep design and survey costs to a minimum by placing the risk with the consultant.

Proposed Schedule of Events

- 2.46 The proposed schedule of events for the project is given in the table below. The dates should be regarded as indicative at this stage as the Council may need to extend and /or amend the timetable as necessary.

Activity	Finish Date
Public Consultation	October 2021
Review of Public Consultation and Feasibility Report	November 2021
Prepare EOI documentation	November 2021
EOI period	December 2021
Review of EOI Returns	January 2022
P&R Committee for Decision	January 2022
Exclusivity Period	Feb 2022 – July 2022
MBC possession	Sept/October 2022
Submit Planning	Sept/Oct 2022
Enter into Contract for Works	Nov 2022

- 2.47 Pre-application planning advice meetings will also need to be arranged in order to discuss planning policies and understand design and information requirements, and how this might affect proposals.

3. AVAILABLE OPTIONS

- 3.1 The first option is to choose to do nothing on this site. This would however represent a lost opportunity to support Strategic and Local Plan objectives, particularly of creating a Thriving Place, by enhancing a prominent heritage location within the Town Centre. The Council would also be faced with cost of running and maintaining the building in the order of £200,000 plus per annum. The building would become empty from late 2022 leaving a security risk and a reputational risk to the Council having not planned an economically viable use for the site.
 - 3.2 The second option is to market the building now, as ready for occupation from September 2022 in its existing condition on similar terms to those currently offered to KCC. Local agents have advised that demand is low for office use of this type, so this would be a risk and could result in no offers with the resultant empty property in September 2022. Any office use, regardless of zero alterations would also still require a planning application since the existing use is for KCC Registrar office only.
 - 3.3 The third and preferred option is to carry out public consultation, procure the EOIs and enter into an Exclusivity Agreement to get early specialist consultant involvement for the project.
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4. PREFERRED OPTION AND REASONS FOR RECOMMENDATIONS

- 4.1 To carry out public consultation and obtain EOIs from specialist consultants to ensure the best proposal for the future use of the Palace.
 - 4.2 The Committee enters into an Exclusivity Agreement with a specialist consultant to take forward the preferred use
 - 4.3 Early engagement with consultants will reduce the risks of the Palace sitting empty causing a risk to the Council of reputation, security risk of the building and financial risk due to the cost to run and maintain the building.
 - 4.4 The recommendation will enable the Council to collaborate and appoint expert consultants to develop detailed designs and/or to compile specialist tender documents.
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5. RISK

- 5.1 Empty Building - By commencing the consideration of alternative uses of the premises now, we are reducing the likelihood of the building standing empty when it is returned to MBC from KCC. If the building stood empty it would lead to running costs to keep it safe and secure, it would deteriorate more quickly and there is a risk of reputational damage to the Council to permit a building of its importance to stand empty.

- 5.2 Maintenance and Management Costs - Any decisions as to the future of the building will affect the management and maintenance of the building both in terms of regime, cost and staff. There is a risk of escalating costs, of potentially increased security risk and expertise in the preservation of historic buildings.
- 5.3 Expertise and Resources - The project is likely to require additional expertise and resource from outside of the in-house team. Historic sites require particular attention when considering any form of alteration and/or development.
- 5.4 Communication – Engagement with stakeholders is key to ensure that the best option for the Council and its Strategic Plan Objectives are met.
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6. NEXT STEPS: COMMUNICATION AND IMPLEMENTATION OF THE DECISION

- 6.1 The decision will lead to the Public Consultation being advertised and invitations sent, followed by the EOI advertised opportunity for consultants.

Upon analysis of the EOI results, a recommendation for a preferred use will be brought to Policy and Resources Committee in Jan 2022 to enable an Exclusivity Agreement to be entered into.

The Exclusivity Agreement would be entered into to enable steady progress with the project to ensure there is little or no period when the Palace is empty after September/October 2022.

7. REPORT APPENDICES

- *Appendix 1: Simon Innes Feasibility Report*
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8. BACKGROUND PAPERS

None