

ARCHBISHOP'S PALACE – EXCLUSIVITY AGREEMENT

Timetable	
Meeting	Date
Corporate Services Policy Advisory Committee	12 October 2022
Executive	26 October 2022

Will this be a Key Decision?	Yes
Urgency	Not Applicable
Final Decision-Maker	Executive
Lead Head of Service	Mark Green, Director of Finance, Resources and Business Improvement
Lead Officer and Report Author	Deborah Turner, Corporate Property
Classification	Public
Wards affected	High Street, Fant

Executive Summary

The Archbishop's Palace is due to be returned to the Council's possession in early 2023. The Policy and Resources Committee agreed at its meeting on 23 March 2022 to enter into an Exclusivity Agreement with Balfour Hospitality to develop detailed plans for the Palace. Extensive work has already been undertaken by Balfour Hospitality and an extension of the Exclusivity Agreement is required to enable this work to be completed.

Purpose of Report

Decision

This report makes the following recommendations to the Executive:

1. That the Exclusivity Agreement with Balfour Hospitality is extended for a further three months, and
2. That delegated authority be given to the Director of Finance, Resources and Business Improvement to agree two further three-month extensions if required and in consultation with the Lead Member for Corporate Services.

Archbishop's Palace – Exclusivity Agreement

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, Resources & 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, Resources & Business Improvement
Risk Management	Already covered in the risk section.	Director of Finance, Resources & Business Improvement
Financial	Once a detailed financial proposal has been submitted by the preferred bidder, the financial	Director of Finance, Resources &

	impact of that scheme can be fully considered. The running costs of the building are currently £250k per annum which are at present paid for by the tenant.	Business Improvement
Staffing	We may need access to extra external expertise to deliver the recommendations.	Director of Finance, Resources & 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.	Interim Team Leader (Contentious and Corporate Governance)
Privacy and Data Protection	No implications.	Director of Finance, Resources & Business Improvement
Equalities	There is no impact on Equalities as a result of the recommendations in this report. An EqIA would be carried out as part of a policy or service change, should one be identified.	Equalities and Communities Officer
Public Health	No implications.	Director of Finance, Resources & Business Improvement
Crime and Disorder	No implications.	Director of Finance, Resources & Business Improvement
Procurement	The Council followed a procurement exercise in order to obtain Expressions of Interest, leading to the offer of an Exclusivity Agreement to the preferred bidder.	Director of Finance, Resources & Business Improvement
Biodiversity and Climate Change	Implications include, new or change of use of buildings must integrate with MBC's Biodiversity and Climate Change Action Plan and Net Zero 2030 commitment.	Biodiversity and Climate Change Manager

	<p>MBC is currently initiating a decarbonisation study that will include the Archbishop's Palace and Gate House, and seek decarbonised heating systems, insulation and renewable energy options to meet MBC's Net Zero commitment – any new use/lease of the Archbishop's Palace would need to comply with recommendations made by this study.</p>	
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2. INTRODUCTION AND BACKGROUND

Background

2.1 The Archbishop's Palace is currently let to Kent County Council (KCC) for use as a Registry Office and Coroners Court. The lease to KCC expired on 31st October 2020 but KCC have held over under the existing lease and remain in occupation. The intention is for KCC to vacate the building early in 2023, at which point responsibility for the property will pass back to Maidstone Borough Council.

2.2 Recognising that the Palace is a landmark building of unique significance for the borough and the town of Maidstone, extensive work has been carried out to consider future uses of the building. Initially, a feasibility report was commissioned from architects Simon Innes Associates, with a brief to identify potential uses that would deliver 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 last point recognised the key role of the Palace in a potential Heritage Quarter, bordering the rivers Medway and Len, and including All Saints Church and the Archbishop's Tithe Barn and Stables (now the Carriage Museum).

2.3 The feasibility report from Simon Innes Associates was presented to the former Policy & Resources Committee in July 2021. It identified four possible uses for the Palace and provided a brief commentary on the viability of those uses, the uses being:

1. Co-Working and/or Serviced Offices
2. Training and Seminar Centre
3. Wedding and Seminar Venue
4. Boutique Hotel.

The Committee proposed a further two potential uses, ie:

5. Commercial Mixed Use
6. Mixed Use Culture and Weddings.

- 2.4 The Committee agreed a programme for taking forward these ideas, including a public consultation exercise held in Autumn 2021. The public consultation drew over 2,000 responses. Details were reported to the Policy and Resources Committee at its meeting on 20th October 2021. The top three options were a wedding and seminar venue, mixed use culture and weddings, and a boutique hotel.
- 2.5 Expression of Interest (EOI) were invited, asked potential partners to explain their proposed use of the Palace and their reasons for why that option should be considered, their source of funding, their previous experience of heritage properties, evidence of similar projects/case studies, proposed timescales, methodologies and any proposed partnership arrangements. The invitation highlighted the results of the public consultation and residents' top priorities, and stated that proposals that reflected residents' preferred options would be favourably considered.
- 2.6 An open tendering process was conducted in order to test the market as fully as possible. The opportunity was advertised via Kent Business Portal and the Contracts Finder website. Wide publicity was given to the opportunity and there has been direct engagement with businesses in Kent and elsewhere that were considered likely to be interested.
- 2.7 Submissions made in response to the tendering process were considered by the Policy and Resources Committee at its meeting on 23 March 2022. It was agreed to enter into an Exclusivity Agreement with Balfour Hospitality, to enable them to carry out detailed work and develop a proposal for future use of the Palace.
- 2.8 Balfour Hospitality is a group of businesses including hotels, restaurants and the Hush Heath Winery. The bid proposed a luxury boutique hotel based within the Palace grounds together with restaurant, conference, wedding and training facilities. The hotel was envisaged as the focus for the development of wine tourism in Kent. Hush Heath forms part of a partnership of eight wineries in Kent, all of which would benefit from the development of tourism, in the same way as happens in the Champagne region of France, Napa Valley in California and Margaret River in Australia. Balfour Hospitality sees the town of Maidstone as the ideal location for such a hotel, being the county town of Kent, as well as being within easy reach of London.
- 2.9 Balfour Hospitality would provide public access to the Archbishop's Palace, in the same way as the Hush Heath Estate, which is open every day of the year except Christmas Day. In conjunction with the hotel, the Palace would be a venue for training in wine and hospitality.

Work carried out to date

- 2.10 Balfour Hospitality have carried out extensive work to develop their proposals, comprising ground investigations, architectural and design work, obtaining advice on planning and conservation and landscaping, and structural surveys. An archaeological survey of the site has been carried out. Balfour Hospitality have engaged with local stakeholders including All Saints Church and Kent Garden Trust. We understand that this work confirms that Balfour Hospitality will be able to put forward a business case for a lease of the site and a planning application for the necessary works.
- 2.11 At this stage, it is envisaged that a further three months, running up to the end of January, will be required in order to carry out the necessary work, including submission of a planning application. It is therefore proposed that the existing six month Exclusivity Agreement entered into in May 2022 with Balfour Hospitality be extended for a further three months.
- 2.12 Given the risk of further delay, including delays in obtaining planning permission, an option for two further three month extensions will be incorporated into the agreement.
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3. AVAILABLE OPTIONS

- 3.1 **Option 1:** To extend the existing Exclusivity Agreement for three months with two further three-month extensions if required.
- 3.2 **Option 2:** To terminate discussions with Balfour Hospitality.
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4. PREFERRED OPTION AND REASONS FOR RECOMMENDATIONS

- 4.1 The preferred option is Option 1. Extensive work has already been carried out in developing plans for the Palace. The response to the invitation for expressions of interest did not indicate a wide range of alternative options on which the Council could rely if discussions with Balfour Hospitality are terminated.
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5. RISKS

- 5.1 Empty Building - By continuing to work up plans for the Archbishop's Palace, we are more likely to have an agreed plan for the building when it is returned to MBC from KCC. Although it may not be possible to commence any refurbishment work immediately, there is less risk of reputational damage to the Council.
- 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. These costs can be contained if there is a clear plan for the building in future.

- 5.3 Expertise and Resources - Historic sites require particular attention when considering any form of alteration and/or development. Careful consideration will be required when assessing the next steps as to whether the Council and its preferred partners can mobilise the necessary expertise and resources.
- 5.4 Communication - Engagement with stakeholders is key to ensure that the best option for the Council and its objectives are met.
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6. CONSULTATION RESULTS AND PREVIOUS COMMITTEE FEEDBACK

- 6.1 Progress on this project has been reported regularly to Members. Specific consultation with the public has been carried out as described above.
- 6.2 The issue was considered by the Corporate Services Policy Advisory Committee on 12 October 2022, and the Committee raised some concerns but agreed the recommendations of the report. An excerpt from the Minutes has been attached as Appendix 1 to the report.
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7. NEXT STEPS: COMMUNICATION AND IMPLEMENTATION OF THE DECISION

- 7.1 See paragraphs 2.11 and 2.12 above.
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8. REPORT APPENDICES

Appendix 1: Excerpt from Minutes of the Corporate Services Policy Advisory Committee meeting held on 12 October 2022

9. BACKGROUND PAPERS

None.