

ARCHBISHOP'S PALACE – EXPRESSIONS OF INTEREST

Final Decision-Maker	Policy & Resources Committee
Lead Director	Mark Green, Director of Finance & Business Improvement
Lead Officer and Report Author	Deborah Turner, Corporate Property
Classification	<p>Public report with private appendices.</p> <p>The information contained within Appendices 1 and 2 is considered exempt under the following paragraph of part I of schedule 12A to the Local Government Act 1972:-</p> <p>3 = Information relating to the financial or business affairs of any particular person (including the authority holding that information)</p> <p>On applying the public interest test, the public interest in non-disclosure of the appendices outweighs the public interest in disclosing this information. The reasons in favour of disclosure are public interest in the use of an important heritage and cultural asset in the Town Centre and value for money</p> <p>And the reasons against disclosure are the commercial confidentiality expected in a tender exercise, the potential negative impact on the council's financial position in respect of tenders received and commercial negotiations through releasing the information which would not be in the public interest.</p>
Wards affected	High Street

Executive Summary

The Archbishop's Palace is due to be returned to the Council's possession later in 2022. A Feasibility Study has been carried out into potential future uses and consultation undertaken with the public. The Council invited expressions of interest in working with the Council in developing one or more of the options set out in the Feasibility Study. This report summarises the responses received to the invitation for Expressions of Interest and proposes a way forward.

This report makes the following recommendations to this Committee:

1. That the Committee selects one of the two bidders described in this report as the Council's preferred partner in the development of further proposals for the future operation of the Archbishop's Palace.
2. That the Director of Finance and Business Improvement is granted delegated authority to enter into a time-limited Exclusivity Agreement with the preferred partner.

Timetable

<i>Meeting</i>	<i>Date</i>
Policy & Resources Committee	23 March 2022

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

Staffing	We may need access to extra external expertise to deliver the recommendations.	Director of Finance & 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.	Legal Team
Privacy and Data Protection	No implications.	Director of Finance & 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 & Business Improvement
Crime and Disorder	No implications.	Director of Finance & Business Improvement
Procurement	The Council has followed a procurement exercise in order to obtain Expressions of Interest.	Director of Finance & Business Improvement
Biodiversity and Climate Change	<p>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.</p> <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>	Biodiversity and Climate Change Manager

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 later in 2022, 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 this 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 and preparing to take back the Palace from Kent County Council, comprising the following steps. There has been some slight slippage in the timetable.

Public consultation on options	October 2021
Invitation for expressions of interest from potential partners	December 2021
Selection of a preferred partner	March 2022
Exclusivity period during which we will work with the preferred partner to develop detailed plans for the Palace.	March 2022 – October 2022

- 2.5 The public consultation drew over 2,000 responses. Details were reported to this 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.
- 2.6 The invitation for Expression of Interest (EOI) 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.
- 2.7 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 has been given to the opportunity and there has been direct engagement with businesses in Kent and elsewhere that were considered likely to be interested.
- 2.8 In the event, only two submissions were received. The business cases put forward by the two bidders are attached to this report as exempt appendices. Feedback from likely candidates that did not submit bids suggest that the obstacles that prevented putting bids forward included the complexity of the site and how open the grounds were to the public. As such, businesses were not able to see how the Palace could be adapted to fit an existing operating model.
- 2.9 Summary information about the bids is set out below and a commentary given on both.

Balfour Hospitality

- 2.10 Balfour Hospitality is a group of businesses including hotels, restaurants and the Hush Heath Winery. The group was established and is run by Richard and Leslie Balfour-Lynn. Richard Balfour-Lynn has a long career in the hospitality industry, having developed the Malmaison and Hotel Du Vin boutique hotel groups.

- 2.11 The bid proposes a luxury boutique hotel based within the Palace grounds and restaurant/conference/wedding and training facility within the Palace building itself. (See Appendix A). The hotel is envisaged as the focus for the development of wine tourism in Kent. Hush Heath forms part of a partnership of eight wineries in Kent and it is felt that all 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. The town of Maidstone is seen as the ideal location for such a hotel, being the county town of Kent, as well as being within easy reach of London.
- 2.12 To be financially viable, the hotel would require a minimum of 25 bedrooms, which would principally be provided in three new buildings within the perimeter of the Palace site.
- 2.13 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.
- 2.14 Balfour Hospitality propose taking a 99 year lease of Archbishop's Palace to facilitate funding and long term investment.

AB (Archbishops) Team

This is an in-house team of Maidstone Borough Council officers, who have developed a proposal at their own initiative, independently of the authors of this report.

- 2.15 The principal proposed use of the Palace is as a wedding venue, taking advantage of the building's history, its gardens and its riverside location. It is anticipated that income would be generated mainly from hire of the Palace for weddings from Friday to Sunday.
- 2.16 The bid envisages that operation of the Palace would be integrated with other Council services. A catering and hospitality provider would be procured and the kitchen facilities would be provided exclusively by the Council-procured contractor, with whom the Council would work to develop and customise the Palace's kitchen and other facilities.
- 2.17 Financial projections have been prepared to accompany AB's business plan. These indicate that the business would be profitable at an operating level. It is assumed that the Council would provide the necessary capital investment.
- 2.18 The team have proposed the continued participation in the annual heritage days in September, providing free tours of the Palace and grounds to ensure open public access.

Commentary

2.19 A brief commentary on the bids is set out below, based on the Council's objectives for Archbishop's Palace (1-4) and further priorities identified during the process of consultation with members and the public (5-6).

Objective	Balfour Hospitality	AB Team
<p>1. Respect the historic fabric of the building</p>	<p>The history and appeal of the Palace building is fundamental to BH's vision. The business has experience elsewhere of developing historic buildings and working with Historic England.</p> <p>Although this aspect of the bid does not affect the fabric of the Palace itself, BH propose three new buildings in the grounds to provide hotel accommodation. This will be a key topic for discussion between BH, the LPA and Historic England and will have an impact on the broader setting of the building.</p> <p>At their own initiative, BH have engaged Simon Innes, a historic buildings specialist who carried out the initial MBC feasibility study on options for the Palace.</p>	<p>Limited changes are envisaged to the building in the near term, specifically expansion of the kitchen and reshaping of the reception area.</p>
<p>2. Bring the building promptly back into active use</p>	<p>BH envisage pre-application discussions with the LPA and Historic England over the next six months, alongside developing plans to RIBA Stage 2.</p> <p>BH predict they require one year from confirmation of planning to realise the vision set out in BH's plans and bring the building back into use.</p>	<p>As limited changes are envisaged to the building, a period of 6-12 months could be a reasonable timeframe to assume for the necessary adaptation and conversion to take place after KCC vacate the building.</p>
<p>3. Any proposed use should be economically viable</p>	<p>BH state that a minimum of 25 bedrooms is required for a boutique hotel to be financially viable. This is supported by independent advice obtained by MBC from hotel consultants.</p> <p>As BH is an established business with relevant experience, it should be able to access the necessary funds to develop its plans.</p> <p>Successful implementation remains dependent on a range</p>	<p>There is an established market for wedding venues, the main expected income source for this bid.</p> <p>The team assumes that it would have the financial backing of the Council, giving it access to finance for investment.</p> <p>The relatively limited scope of the proposed business activities reduces the risks from financial failure.</p>

Objective	Balfour Hospitality	AB Team
	of factors, including growth of the local hospitality and tourism sectors and general economic conditions.	
4. Develop linkages to the property with the surrounding area	BH recognise the significance of the Palace's setting. The proposal seeks to enhance this by improving the surrounding landscape and developing the gardens, as well as reducing the impact of Mill Street on the grounds.	The AB proposal recognises that the Palace is just one of a group of iconic buildings. In the longer term AB envisages bringing the Undercroft, the Gatehouse and the Carriage Museum within the scope of its offering.
5. Public access	BH plan to maintain the Palace and gardens for public use and access throughout the year. The scale of the planned business means that it is likely to be viable to have a regular staff presence on site. This is consistent with the approach that Hush Heath adopts at its winery.	AB aims to make the building accessible to the community. No specific initiatives are described in the proposal. The cost of providing access at all times could impair the financial viability of the bid, given the relatively smaller scale of the business.
6. Wider contribution to local community, culture and economic prosperity	The hotel would attract more visitors to Maidstone, with benefits for the local economy. BH also see the Palace as helping to promote the Kent wine and food industry, leading to wider economic benefits. They have contacts with Mid Kent College and aim to create space for training in the topics of wine and hospitality.	AB envisages making full use of local businesses as part of the supply chain for the Palace, including food, catering and service providers.

Next Steps

- 2.20 Following a decision about which of the two bidders the Council wishes to work with, the next step would be to enter into an Exclusivity Agreement with the preferred partner.
- 2.21 By entering into an Exclusivity Agreement, both the Council and the preferred partner would have an opportunity to explore options. In the case of Balfour Hospitality in particular, this would be likely to include discussions with planners and Historic England to develop a scheme that meets the objective of being economically viable whilst protecting the heritage of the building.

2.22 The Exclusivity Agreement will define the outputs from this phase. These would include, but not be limited to:

Development of detailed designs;
Consideration of buildability, sequencing, and construction risk;
Definition of how the works are to be packaged works (and the risks of interfaces between packages);
Proposals for selection of specialist contractors;
Development of cost plan and works programme;
Completion of surveys and investigations necessary prior to submission of a planning application
Consideration of all related planning matters.

2.23 Crucially, discussions would take place with the Local Planning Authority and Historic England to ensure that any proposals have the support and guidance of the statutory bodies.

3. AVAILABLE OPTIONS

3.1 **Option 1:** To select one of the two potential partners.

3.2 **Option 2:** To re-open invitations for expressions of interest.

4. PREFERRED OPTION AND REASONS FOR RECOMMENDATIONS

4.1 The preferred option is Option 1. Extensive work has already been carried out to encourage potential partners to come forward. For the reasons set out above, it is unlikely that a further invitation to bid process would yield a different response.

5. RISK

5.1 Empty Building - By selecting a preferred partner now, 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.

6. CONSULTATION RESULTS AND PREVIOUS COMMITTEE FEEDBACK

6.1 Progress on this project has been reported regularly to Policy and Resources Committee. Specific consultation with the public has been carried out as described above.

7. NEXT STEPS: COMMUNICATION AND IMPLEMENTATION OF THE DECISION

7.1 See paragraph 2.20 above.

8. REPORT APPENDICES

The following documents are to be published with this report and form part of the report:

On applying the public interest test, the public interest in non-disclosure of the appendices outweighs the public interest in disclosing this information. The reasons in favour of disclosure are public interest in the use of an important heritage and cultural asset in the Town Centre and value for money. And the reasons against disclosure are the commercial confidentiality expected in a tender exercise, the potential negative impact on the council's financial position in respect of tenders received and commercial negotiations through releasing the information which would not be in the public interest.

Exempt Appendix A: Balfour Hospitality proposal

Exempt Appendix B: AB Team proposal

9. BACKGROUND PAPERS

None.