

MAIDSTONE BOROUGH COUNCIL

RECORD OF DECISION OF THE CABINET

Decision Made: 26 July 2023

Archbishop's Palace

Issue for Decision

To seek an agreement to develop plans for use of the Palace as a wedding and events venue.

An extensive process of member and public consultation has been carried out about future use of the Archbishop's Palace. Following expiry of the former preferred development partner's exclusivity period, and vacation of the building by Kent County Council, it is appropriate to consider the next steps.

Decision Made

1. Option 2 of the report, namely to develop plans for use of the Palace as a wedding and events venue, be agreed.
2. Delegated authority be given to the Director of Finance, Resources and Business Improvement in consultation with the Cabinet Member for Corporate Services to select and appoint professional advisers to develop the plans, enter into contracts for applicable services as necessary, and to invite offers from potential operators for a conditional agreement for lease; and
3. Delegated authority be given to the Head of Legal Services to negotiate and complete all necessary legal formalities arising from the purchase of services and invitation for offers as set out above.

Reasons for Decision

The Archbishop's Palace is a landmark building of unique significance for the borough and the town of Maidstone. Until recently, it was let to Kent County Council (KCC) for use as a Registry Office and Coroners Court.

Knowing that KCC were due to vacate, an extensive process of member and public consultation has been carried out about its future use, starting in early 2020. The following objectives were set for any future use:

- Respect the historical fabric of the buildings.
- 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 steps in this process may be summarised as follows.

February 2020	Options for future use of Palace were considered at an open meeting for councillors on 20th February.
July 2021	<p>A feasibility study was presented to Policy and Resources Committee. This considered a wide range of different potential uses, with the following short list drawn up as meriting detailed review:</p> <ol style="list-style-type: none"> 1. Co-Working and/or Serviced Offices 2. Training and Seminar Centre 3. Wedding and Seminar Venue 4. Boutique Hotel 5. Commercial Mixed Use (ie combination of 1 and 2) 6. Mixed Use Culture and Weddings <p>Agreement was reached to seek a preferred partner, through an open procurement process, for development of further proposals.</p>
October 2021	Council undertook public consultation. This attracted considerable interest, with over 2,000 individual responses. The top three options for respondents were a wedding and seminar venue, mixed use culture and weddings, and a boutique hotel.
March 2022	Policy and Resources Committee selected a preferred partner. This was Balfour Hospitality, who proposed to develop the Palace as a boutique hotel.
March 2023	KCC vacated the premises and the building was taken over on a temporary basis by Parking Services.
April 2023	The preferred partner exclusivity period expired. Balfour Hospitality, as promoter of the boutique hotel concept, concluded that it would not be commercially viable, given the scale of investment required.

The Council remains committed to seeking an appropriate use for the Archbishop's Palace. Although its chosen partner was not in the end able to produce suitable proposals, an extensive body of information about the Palace and its potential has now been accumulated, and the feasibility of different potential options for the future have been thoroughly researched, allowing an informed decision to be made about the next steps.

The Palace's current use as a service location ensures that the building is occupied, but it does not generate any income, and the council must now incur the costs of occupancy, previously borne by KCC. These comprise principally business rates and repairs and maintenance costs. The total marginal cost now incurred amounts to approximately £350,000 – being £100,000 of annual rent foregone and approximately £250,000 of running costs.

A further factor in consideration of the next steps is that, as a new Town Centre Strategy emerges, the heritage quarter of which the Archbishop's Palace forms a key component will become a vital part of the Council's plans for the future. Any future use of the Palace will need to form an

integral part of the whole offer presented by the Town Centre to residents and visitors.

Market Testing

The Council has now undertaken further market testing, going back to the options originally considered by members in July 2021. Based on discussions with leading local participants in the market, this indicates strong interest in commercial use of the Palace as a wedding and events venue. This would be less capital intensive than the 'boutique hotel' concept and it will be seen that it is supported by a strong business case.

The Archbishop's Palace is already well-known as a wedding venue through its use as a Registry Office. Heritage venues are very popular for weddings and special events, as they provide a suitably attractive setting for big occasions. This is reflected in the strong interest that we have found amongst established businesses in the market.

It is proposed to seek a specialist operator who already has experience of this market. Although an in-house operation was considered by Members when selecting our preferred partner in March 2022, the Council does not have the requisite business knowledge in-house to run the Palace as a wedding and event venue.

The Palace would not require major alterations to accommodate use as a wedding venue. This is a key benefit, given its Grade 1 listing and the accompanying constraints on any changes.

An operator's main requirement would be a commercial kitchen, to allow large scale catering. As part of our previous partner's planning, an outline concept for providing a commercial kitchen on the ground floor of the Palace has already been developed and broad cost indications obtained. Detailed plans now need to be drawn up.

Wedding and event organisers are specialists, and (unlike our previous partner) could not be expected to have the project management skills to fit out the Palace. This work therefore more appropriately falls to the Council, as the property owner, to carry out. The fit-out would be provided by the Council as landlord, using our financial resources, and commissioning architects and contractors as appropriate. The specification would be generic, such that we would not be committed to any one operator, and to ensure an enhancement in the value of the Palace from carrying out these works.

Having carried out initial fit-out works as landlord, the Palace would be let on a commercial lease, with the tenant taking on full responsibility for business rates and repairs and maintenance. These costs, currently borne by the Council, would therefore be passed on to the tenant.

Market testing has indicated that the rental cost of suitable venues is broadly aligned with office rental values. This allows an estimate of return on investment to be drawn up. Details are set out in the exempt Appendix to the report. These show a strong investment return and a positive net present value. Modelling has also been carried out on an alternative, more pessimistic scenario. This still generates a positive net present value and a return in excess of the Council's capital strategy hurdle rate.

Public consultation highlighted the value that residents place on access to the Palace and its grounds. This has been reiterated as part of our market testing with potential operators. The organisations with whom we have engaged recognise that use of a heritage asset like the Palace is bound to be accompanied by a requirement for public access. It is customary for the arrangements to be reflected in a formal agreement with the operator and there are many established models on which we would draw, in order to ensure that local aspirations for public access are met.

Work is under way on a new Town Centre Strategy, which would set out a vision for the Council for the period to 2050. This is likely to take advantage of the rich heritage of the quarter in which the Palace is located. The proposed use of the Palace as a wedding and events venue would reflect this, by showcasing the building and ensuring that it remains in active use.

The matter was considered by the Corporate Services Policy Advisory Committee at its meeting on 12 July 2023 and the Committee supported the decision.

Alternatives considered and Why Rejected

Option 1: Do nothing. The Council would continue to incur significant annual costs in maintaining the Palace. There would be an opportunity cost, both in financial terms and in failing to allow potential users to benefit from this prime Council asset.

Option 3: Develop alternative plans for use of the Palace

a. Co-working and Serviced Office Space

This option was considered as part of the feasibility study presented to Members in 2021. It would require some internal work to the building, to enable good quality communications links and to provide secure and safe partitioning between offices. If used for this purpose, the Palace would be competing in what is already an active market in Maidstone Town Centre, with potential disadvantages compared with the competition in not being able to provide modern accommodation or extensive parking facilities.

b. Training and Seminar Centre

This option was considered as part of the feasibility study presented to Members in 2021. Like option 3a above, it would require internal work to the building. However, it is not clear that there would be sufficient demand in the market to make this use viable.

c. Mixed Use Culture and Weddings

Members requested that this option be considered in 2021. Whilst they acknowledged the potential of the Palace as a venue for weddings, some members wanted to see a café, an arts space, and exhibition and gallery spaces, which would enable interpretation of the building, to give the widest public access. Such uses would have limited revenue generating

potential and would limit the potential of the Palace as a wedding and event venue, by taking up dates in the calendar and/or space at the Palace that would otherwise have commercial potential. Accordingly, this option is unlikely to be economically viable.

d. Boutique Hotel

This option was considered extensively by our preferred partner in 2022/23. It relies on a minimum number of bedrooms to be offered to establish a viable hotel business. The existing building could not accommodate the required number of rooms, whilst at the same time providing space for dining and events. It became clear during the course of our partner's research that the financial and conservation challenges of new building in the grounds of the Palace were very significant. This position is unlikely to change in the foreseeable future.

e. Residential conversion

The option would face a number of very significant practical obstacles. Residential property values in central Maidstone make the financial return much less attractive than option 2 of the report. There would be potentially insuperable challenges from a conservation viewpoint, given the Palace's Grade 1 listing, in installing the necessary partitioning, ventilation and other services needed to create units of residential accommodation. Finally, it would be very difficult to reconcile members' and residents' aspirations for public access with private residential accommodation.

Background Papers

None.

I have read and approved the above decision for the reasons (including possible alternative options rejected) as set out above.



Signed: _____

Councillor David Burton, Leader of the Council

Full details of both the report for the decision taken above and any consideration by the relevant Policy Advisory Committee can be found at the following area of the [website](#)

Call-In: Should you be concerned about this decision and wish to call it in, please submit a call-in form signed by any three Members to the Proper Officer by: **5pm on Friday 4 August 2023.**