

**From:** Peter Oakford – Deputy Leader and Cabinet Member for Finance, Corporate and Traded Services

Rebecca Spore – Director of Infrastructure

**To:** Policy & Resources Cabinet Committee - 24<sup>th</sup> March 2022

**Subject:** Property Accommodation Strategy –Strategic Headquarters Update and Next Steps March 2022

**Key Decision:** Yes - The delivery of the strategy is likely to involve expenditure / savings in excess of £1m.

**Classification:** Unrestricted Report with Exempt Appendix A – not for publication. Paragraph 3 of Schedule 12A of the Local Government Act 1972, as amended, refers)

**Past Pathway of previous papers:**

Policy and Resources Cabinet Committee, 6th November 2020

Policy and Resources Cabinet Committee, 13th July 2021

**Electoral Division:** Maidstone North East, Ian Chittenden

**Summary:**

This Paper updates The Policy & Resources Cabinet Committee on the further work that has been progressed following the decision 21-00064 taken by the Deputy Leader and Cabinet Member for Finance, Corporate and Traded Services on 13<sup>th</sup> August 2021 ahead of a final decision which is anticipated in Autumn 2022.

**Recommendation(s):**

The Policy & Resources Cabinet Committee is asked to:

- 1) Note the progress and revised design proposal for the refurbishment of both Invicta House and Sessions House blocks C and D..
- 2) Note the intention to review the procurement strategy for engaging a main contractor in respect of the proposed works at Invicta House and Sessions House Block C and D.
- 3) Note that a procurement process will commence to explore further the co-working opportunities focusing on Block B and that a marketing process will commence in respect of Blocks A/E and B to seek a development partner.

**1. Introduction**

- 1.1 On 13<sup>th</sup> July 2021, the Policy and Resources Committee received an update on the Office Accommodation Strategy that specifically addressed its Maidstone

office assets Invicta House and Sessions House (referred to collectively as SHQ). Following this meeting, the Deputy Leader and Cabinet Member for Finance, Corporate and Traded Services took decision 21-00064 on 13th August 2021.

1.2 This paper seeks to update the Committee on progress since the decision and the next steps.

### 1.3 Project Team Appointment

Alongside the Kent County Council (KCC) project team the following team has been engaged to progress the project through the various design RIBA stages and business case development.

<b>Discipline</b>	<b>Team Member</b>
Project Management and Cost Control	Faithful and Gould
Masterplan Design Lead	TPM Architects
Sessions House Blocks C & D Design Lead	TPM Architects
Invicta House Design Lead	Bond Bryan Architects
Business Case and Financial Modelling	Faithful and Gould
Real Estate Consultancy	Montagu Evans
Planning & Transport Consultant	DHA Planning
Legal Advice	BurgesSalmon
Financial Assurance	31Ten

1.4 It has been necessary to rebase the programme which has been impacted by resource being diverted to support COVID-19 related activities, the market position which is establishing itself post COVID-19 and to enable the hybrid working roll out to test assumptions in the accommodation modelling. The updated programme is set out in section 5.

## **2. SHQ Masterplan Update**

2.1 TPM Architects have been commissioned to prepare the Masterplan. The Masterplan illustrates how the various components of the project will work together to support the place making opportunities for wider socio-economic benefits through placemaking in Maidstone. The Plan will also inform the conservation of KCC's significant heritage asset.

2.2 The document will also be used as key marketing collateral for blocks A/E and B when promoting and seeking inward private and public sector investment.

2.3 In parallel, the same Design Team are working closely on the refurbishment designs to meet the Council's space requirements and to ensure these are coordinated with the Masterplan.

2.4 Stage 1 has been completed and the design team are due to complete the Masterplan by April 2022. This is a dynamic report which will be updated throughout the life of the project.

## MASTERPLAN: INDICATIVE AERIAL VIEW



### 3. INVICTA HOUSE and Blocks C and D Sessions House

- 3.1 RIBA stage 1 has been completed. This stage is focused on refining the brief in response to the Council's emerging People Strategy and staff feedback following the Flexible Working rollout across our core office locations. It has become clear that the space required to meet our needs is smaller.
- 3.2 As a result, the scope of the project has significantly changed. The required staff accommodation can be met within the existing footprint of Invicta house and Member accommodation within Blocks C and D in Sessions House. Sessions House will provide the main Civic element including accommodating the Democratic function, formal meeting space and Member / Senior Management Offices.
- 3.3 The project is predominately a refurbishment/ modernisation programme which will seek to address building systems, useability and access arrangements. The project presents a major opportunity for KCC to deliver a modern workspace and deliver against its environmental and wider best value objectives.
- 3.4 The appointed Project Design Team has completed RIBA Stage 1 feasibility design for blocks C & D including consideration for the enhancement of the Courtyard space, improving access and visitor/user experience. Stage 2 design and detailed survey work are underway.
- 3.5 Options for a decant strategy are being considered. From a project perspective the most efficient programme will see the complete closure of Invicta House and

Sessions House Blocks C&D for the full duration of the works so that both buildings can be refurbished concurrently. However, this will have implications for service delivery, Member meetings and financial requirements. Stakeholders will be consulted over the coming months ahead of proposing a solution.

- 3.6 Detailed cost plans are being developed as the RIBA stages progress. The next stages are to progress the design through to RIBA stage 3. This stage will include the finalisation of the building layouts including details of any architectural interventions, demolition work, amended access arrangements, cost analysis and the decant strategy.
- 3.7 The procurement strategy will consider the advantages of engaging a main contractor in line with the Authority's standard procurement process to develop a cohesive Delivery Plan.

#### 4. Sessions House Blocks A, B and E

- 4.1 Blocks A, B and E are not required to deliver KCC's operational requirements. Montagu Evans has provided specialist commercial advice in respect of the options for these blocks based on the current market. The table below outlines the preferred option for block A and B which are being tested further. (This is more detailed in the exempt appendix)

	BLOCK A (64,400sqft NIA assuming Block E demolished)	BLOCK B (19,000sqft NIA)
	Residential Conversion c.80 flats (PREFERRED)	Serviced / Flexible / CoWorking Office Space (PREFERRED)
Market Demand	Yes, subject to viability and clean title	Yes, from experienced operators and investors
Parking Requirements Dependency / Deliverability	c.80 spaces (1:1 ratio)	c.76 spaces minimum (1:250sqft ratio)
Enabling CapEx requirement by KCC (or other source of funding)	no revenue or future capital return following long leasehold disposal	£1.85m to £4.5m fit out cost Potential cost could be met by a third-party operator/investor. Estimated payback 7-10yrs
Ongoing Management & Financial Liability	None other than as superior landlord	Dependant upon exit route
MOJ Restrictive Covenant	High Risk – consent required	Low Risk
Planning Policy	Medium Risk – being discussed with MBC Planners.	n/a – continuation of office use
Synergy with Blocks C&D, Placemaking, Social Value, Legacy	Good – provides evening and weekend activity to area	Excellent – due to promotion of start ups, SMEs and potential introduction of Skills Academy, etc

- 4.2 No other use has been identified for Block E which is currently proposed to be demolished unless there is a proven market demand for this. The most likely use is to create space for additional parking provision to supplement block A and also provide natural light. It is envisaged that this work would be undertaken by the Council's selected developer partner as part of its wider development. Business cases are being developed with the commercial team to test the options.
- 4.3 A marketing exercise is anticipated to commence this summer, supported by relevant technical surveys and other necessary due diligence. This will be structured to enable the Council to consider proposals from the market for blocks A/E and B ranging from long leasehold disposals (with most liabilities and risk being passed on to a third party), through to an appropriately procured

coworking operator under a management contract or short/ medium term lease arrangement.).

## 5. Project Programme

5.1 The following table sets out the indicative project timetable:

<b>Activity</b>	<b>Target Completion</b>
Masterplan RIBA stage 1+	April 22
Marketing Exercise of Blocks A/E & B ("all enquiries")	September 22
Procurement exercise of coworking partner for Block B	September 22
Evaluation of Bids (including coworking proposals for block B)	November 22
Appoint coworking partner	February 23
Conditional Exchange (subject to planning) with developer for block A/E	April 23
Complete disposal of Block A/E	August 24
Decant Options & Strategy	April 22
Invicta and Blocks C/D Stage 2	March/April 22
Invicta and Blocks C/D Stage 3	September 22
<b>Key Decision Invicta, Blocks C/D Contract Award, Block A Disposals and Block B procurement Award.</b>	<b>October/ November 22</b>
Planning/Listed Building Consent	December 22
Invicta and Blocks C/D Stage 4	December 22
Invicta and Blocks C/D Contract Award	February 23
Decant Period	March 23 – August 24
Invicta and Blocks C/D Refurb completes	August 24

## 6. Key Project Risks

6.1 The following table sets out a number of key risks and any mitigation strategy which will continue to be developed as the project progresses to the next stage:

<b>Risk</b>	<b>Mitigation</b>
Restrictive Covenants within the title	Continued engagement will be required with the beneficiary of the covenant.
Planning & listed building status	Continued engagement with MBC planners and the Conservation Officers

Highways	Engagement with KCC Highways
Market Demand	Fluctuating market demand as the market re-establish themselves post COVID-19
Building Condition	The building condition is variable with complex service arrangements. Heritage issues will also play a significant part in final solutions. Unforeseen and hence unbudgeted issues for remediation may emerge.
The Construction Market	The construction industry is currently challenged with material and labour shortages which will result in cost risk uncertainty.

## **7. Financial Implications**

- 7.1 The financial model is being updated as the project moves to the next stages of development and assumptions are tested.
- 7.2 KCC were unsuccessful in its bid to the Community Renewal Fund in 2021, however, external funding opportunities will continue to be explored as appropriate.

## **8. Legal implications**

- 8.1 Legal advisors, Burges-Salmon LLP, have been appointed to provide advice and assurance to support the project including title matters, disposal and procurement strategies, and commercial contract implications.
- 8.2 KCC Legal and Procurement Teams have been involved and inputted into the various workstreams surrounding the project as appropriate.

## **9. Equalities and Data Protection implications**

- 9.1 An Equalities Impact assessment (EQIA) was completed and submitted in support of previous papers. The EQIA remains unchanged currently and will be updated as the project develops.
- 9.2 A Data Protection impact assessment (DPIA) has also been completed and submitted in support of previous papers and remains unchanged at this time.

## **10 Conclusions**

10.1 Since the last paper to this Committee in July 2021, considerable work has been undertaken to develop a detailed costed business plan and final detailed proposals. This work will continue with a key decision planned in the Autumn 2022 as set out in the indicative programme in section 5.

## 11. Recommendation(s):

### Recommendation(s):

The Policy & Resources Cabinet Committee is asked to:

- 1) Note the progress and revised design proposal for the refurbishment of both Invicta House and Sessions House blocks C and D.
- 2) Note the intention to review the procurement strategy for engaging a main contractor in respect of the proposed works at Invicta House and Sessions House Block C and D.
- 3) Note that a procurement process will commence to explore further the co-working opportunities focusing on Block B and that a marketing process will commence in respect of Blocks A/E and B to seek a development partner.

## 12. Background Documents

12.1 Exempt Appendix A – Block A and B Preferred Option Summary

## 13. Contact details

Report Author	Relevant Director:
Karen Frearson MRICS Head of Property Strategy, Infrastructure 03000 416293 karen.frearson@kent.gov.uk	Rebecca Spore MRICS Director of Infrastructure 03000 416716 rebecca.spore@kent.gov.uk