

From: Derek Murphy, Cabinet Member for Economic Development
Simon Jones, Corporate Director, Growth, Environment and Transport Directorate

To: Growth, Economic Development and Communities Cabinet Committee - 16 May 2023

Subject: Old Rectory – New Management Contract

Key decision Executive non-Key Decision 23/00026

Classification: **Unrestricted**

Electoral Division:

- Conrad Broadley, Northfleet & Gravesend West
- Dr Lauren Sullivan, Northfleet & Gravesend West

Summary:

Kent County Council is seeking a further one-year extension to the existing contract for Management Services at The Old Rectory Business Centre in Northfleet, a Kent County Council owned facility that has been offering high quality office space to SMEs and new businesses since 2009. The current contract for management services was awarded in 2015 to an external supplier for a period of seven years, with an extension granted for a further year which expires on 30th November 2023. A further one-year extension will enable the centre to continue to provide business support services to local SMEs and new business and enable the Council to undertake a full review of the options for the future. The annual profit is estimated to be £75-£80k (against an estimated gross income of more than £1m over a 3-year period).

Recommendation(s):

The Growth, Economic Development and Communities Cabinet Committee is asked to consider and endorse or make recommendations to the Cabinet Member for Economic Development on the proposed decision to extend the existing Old Rectory Business Centre Management Services contract by a further one year and delegate to the Director Growth & Communities to take other relevant actions including but not limited to entering into required legal agreements as necessary to implement the decision, as shown at Appendix A.

1. Introduction

- 1.1 The Old Rectory is a KCC owned facility that has offered high quality office space to SMEs since 2009. The centre is managed by an external supplier.
- 1.2 In September 2015 the Growth, Economic Development and Communities Cabinet Committee approved the procurement of management services at the Centre.
- 1.3 Following a full OJEU procurement process a seven-year contract was awarded to “Basepoint Centres Ltd” in December 2015. The contract

commenced on 1 December 2015 and had a termination date of 30 November 2022 with an option to extend for up to 48 further months. A one-year extension (which will end on 30 November 2023) for the procurement of management services was granted by the Director for Growth and Communities in October 2022.

- 1.4 As part of the continuous review of services to ensure they remain fit for purpose, the proposal is to extend management services contract at the centre by a further 12 months during which time a review will be conducted to decide the future of the Centre.

2. Background, Options & Risks

- 2.1 The Old Rectory Business Centre in Northfleet is a Kent County Council owned facility that has been offering high quality office space to SMEs and new businesses since 2009. Currently the business centre offers a total of 30 furnished offices providing a minimum of 79 workstations.
- 2.2 The Old Rectory is a Grade II* Listed building of approximately 270sq m gross (2,900 sq. ft) built in the early 16th Century (1510) and retaining many original features of historical interest. Since 2009 the building provides furnished office space, a large meeting room, together with further open plan lobby space. The Annexe is a modern building of approx. 6730 sq. m gross (7,680sq. ft) over three floors, and refurbished to provide further furnished office suites.
- 2.3 The building was purchased by KCC in 2004. Originally the listed part of the building provided high end office accommodation for the Kent Thameside Delivery Board and subsequently the Kent Thameside Regeneration Partnership (KTRP). The annexed business centre provided fully furnished office space and meeting rooms and a 5-year management contract was awarded to an external supplier "Basepoint Centres Ltd" in 2009 (following a full OJEU process). When KTRP ceased to exist in 2011, further work was undertaken to utilise all space and create additional fully furnished office space.
- 2.4 The service provider is required to undertake the following tasks:
 - To promote and market the business centre space, manage the sales process, and negotiate licenses. Collect and hold deposits, invoice, and recover monthly Licence fees and consumables;
 - To provide cost effective property management services to the whole building, including telecoms, IT, reception, cleaning, security (including the wider site), repair & maintenance, utilities, waste, health & safety/compliance, and landscaping (note that the buildings insurance is under a KCC bulk policy);
 - To provide proactive business centre management services to both the business centre customers, including telecoms, support and guidance where needed, deliveries, post, etc.;
 - Provide a range of support and development measures for the new businesses; and
 - To manage the reception area providing welcome services, visitor management, information and ensure legislative requirements such as

those for health and safety, DDA and equalities issues are properly addressed.

- 2.5 In addition to the above, the provider is responsible for:
- All running costs, including utilities and marketing;
 - Procuring and managing the core property management services; providing centre staff, and delivery of all services to the building and its occupiers;
 - The licensee agreements;
 - Reporting to KCC on a quarterly basis (on-site meetings); and
 - Providing KCC with monthly accounts detailing the previous month's income and expenditure
- 2.6 KCC Growth and Communities is responsible for both the contract management and approving maintenance/improvement works at the centre, as well the financial monitoring of the Old Rectory which includes invoicing for the reimbursement of profit. KCC Property maintains responsibility for property level compliance, including asbestos management, water hygiene, electrical certificates, fire risk assessment, gas safety and lift policies.
- 2.7 The Old Rectory Business Centre continues to offer high quality specialised support to local small businesses; attracting inward investment within Kent and helping businesses to grow and expand. Not only does the centre generate income for the council, but it also meets council's economic objectives, adding value by investing locally, as well as supporting local employment within the wider local economy. Through this centre and the partnership KCC has with the provider, the council maintains a direct role in backing SMEs and entrepreneurs to start-up and grow. With many businesses still recovering from the impacts of the Covid and having to deal with current economic challenges, KCC's involvement with the centre through these difficult times has provided much needed stability and assurance to businesses located at The Old Rectory.
- 2.8 Gross estimated income will be more than £1m if the contract was extended for three years, but current financial circumstances suggest that a more detailed review of all the options should now be undertaken to decide the best value course of action.
- 2.9 The following options were considered :
1. **Extend the contract for the duration of 3-years** - to exercise the full extension clause within the existing contract, allowing the current service provider an 11-year term (7 years with up to 48-month provision for extensions). The current provider has proposed a reduction to their share of profits by 25% (from 40% to 30% of the total profit) for the duration of a 3-year contract extension with effect from 30th November 2023. This option would increase KCC's share of the profits (if other terms remain the same), and by extending the existing contract, it will cut out the disruption/cost of a potential new management company replacing the current provider (IWG/Basepoint). Also, given the volatility of the current market, it may be sensible to go out to tender in 3 years' time, when conditions could be more favourable to business.

2. **Initiate a full PCR compliant procurement exercise.** Whilst The Old Rectory has benefited from the current service provider maximising potential income generation from the centre, a full OJEU process would permit KCC to test the market to ensure both price and value for money. KCC would continue to receive a share of profits. However, any potential change to the service provider could be disruptive to current licensees located at the centre.
3. **Dispose of the asset.** If this option is chosen the Council would lose out on future income revenue but would receive an immediate capital receipt which could be put towards other Council resources. This option would potentially be disruptive to existing businesses located at the centre.
4. **Dispose of the asset and transfer its functions (as a business centre) as an ongoing concern.** This option would also ensure that any disruption to existing businesses located at the centre is minimised. As with Option 3, if this option is chosen the Council would lose out on future income revenue but would receive an immediate capital receipt which could be put towards other Council resources.

2.10 Operational costs risk: the centre is self-funding, thus returning a profit to KCC on an annual basis. These funds form the basis of the “sinking fund” ring-fenced for the Old Rectory for continued maintenance of the overall building.

2.11 Options 1 (extension of contract) and Option 2 (open procurement process) meet the objectives of ‘Framing Kent’s Future 2022-2026’ by supporting the Kent economy to be resilient and successfully adapt to the challenges and opportunities it faces over the coming years; and by backing SMEs and entrepreneurs to start-up, grow and drive adoption of new technology.

3. Financial Implications

3.1 The centre is self-funding and generates a profit, which is held by Basepoint/IWG. KCC invoices them annually for a share of the profit, which is placed within a ring-fenced budget held by KCC, and is utilised as necessary, where works to the building in the future become necessary. The annual net profit to KCC is currently estimated to be between £75k-£80k.

3.2 KCC staff time has not been historically charged to the project but will be undertaken for this further 12-month extension period, if the extension is agreed. This will require an update to the existing protocol regarding the use of the ring-fenced budget.

4. Legal implications

4.1 KCC are exercising the extension clause within the Contract and therefore there is minimal risk of challenge as the OJEU Call for Competition and Award Notice details that the contract would be for up to a 11-year period (7 years with up to 48-month provision for extensions). There has been no case law where a party has successfully challenged an extension allowed for within a procurement

process that was granted late. It would be difficult to evidence grounds of challenge when the potential extension period has been detailed within the notices and tender documents.

- 4.2 Any additions/adjustments to the standard contract produced in 2015 (ratified by KCC Legal Services) will be passed to KCC Legal for checking ahead of the contract being put in force.

5. Equalities implications

- 5.1 Equalities implications: an EqIA was published in 2023, with low/no negative impact on Protected Groups, and no potential for negative discrimination. The assessment also identifies positive impacts on Protected Groups. The previous assessment was in 2019. It should be noted that a diversity questionnaire will be requested from each tender response in the event of an open procurement process. In addition, is provider is required to provide services consistent with the Council's Equality and Diversity Statement. .

6. Other corporate implications

- 6.1 Option 1 (extension of contract) and 2 (open procurement process) do not impact other areas of the Council's work.
- 6.2 Option 3 (disposal of the asset) and Option 4 (disposal of the asset and transfer its functions as a business centre as an ongoing concern) would provide capital income to KCC.

7. Governance

- 7.1 The Director of Growth and Communities will inherit the main delegations via the Officer Scheme of Delegation.

8. Conclusions

- 8.1 This decision is required to enable the continuation of specialist Management Services at The Old Rectory business centre in Northfleet, a valued business resource in North Kent. The decision will enable the current provider to continue to provide quality business support services to local SMEs and new business for a further year and enable the Council to undertake a full review of the longer-term options.

9. Recommendation:

- 9.1 The Growth, Economic Development and Communities Cabinet Committee is asked to consider and endorse or make recommendations to the Cabinet Member for Economic Development on the proposed decision to extend the existing Old Rectory Business Centre Management Services contract by a further one year and delegate to the Director Growth & Communities to take other relevant actions including but not limited to entering into required legal agreements as necessary to implement the decision, as shown at Appendix A.

10. Background Documents

- 10.1 Appendix A – Proposed Record of Decision
Appendix B – EqlA: [Old Rectory Business Centre \(kent.gov.uk\)](http://kent.gov.uk)

11. Contact details

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