

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

Derek Murphy, Cabinet Member for Economic Development

Simon Jones, Corporate Director, Growth, Environment and Transport Directorate

To: Growth, Economic Development and Communities Cabinet Committee 11th September 2024

Subject: 24/00083 - Old Rectory Business Centre Management Contract

Key decision Required as gross income from site in excess of £1m

Classification: Unrestricted

Past Pathway of report: [23/00026 - Old Rectory Management Contract](#) 16th May 2023

Future Pathway of report: For Cabinet Member Decision

Electoral Division:

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

Summary:

The Old Rectory Business Centre in Northfleet is a KCC-owned facility that has been offering high quality office space to local businesses since 2009. The current contractual arrangements with the company that manages the day-to-day operation of the centre will expire on 30 November 2024. Kent County Council is seeking to determine next steps for the facility and five options for the future of the site are outlined in this report. In the light of 'Securing Kent's Future' which requires a review of all discretionary expenditure, KCC is proposing to dispose of the asset as a going concern. This would provide a one-off capital receipt for KCC while ensuring the continued availability of in-demand workspace premises in Gravesham, the lack of which is a recognised constraint on the expansion of local small and medium sized enterprises.

Recommendation:

The Growth, Economic Development and Communities Cabinet Committee is asked to consider, endorse or make recommendations to the Deputy Leader and Cabinet Member for Finance, Corporate and Traded Services in consultation with the Cabinet Member for Economic Development to

(i) APPROVE and DELEGATE to the Director of Growth and Communities to extend the current contract period for a period of nine months to allow time to undertake the disposal.

(ii) AGREE that the necessary steps can be taken to dispose of the Old Rectory Business Centre in Northfleet as a going concern.

(iii) DELEGATE authority to The Director of Infrastructure, in consultation with the Deputy Leader and Cabinet Member for Finance, Corporate and Traded Services, to finalise the terms of the disposal and execution of all necessary or desirable documentation required to implement the above.

The Proposed Record of Decision is appended at Appendix A.

1. Introduction

- 1.1 The [Old Rectory, Northfleet](#) is a KCC-owned facility, managed by an external service provider which has offered high quality office space to small and medium sized enterprises (SMEs) since 2009. In September 2015 the Growth, Economic Development and Communities Cabinet Committee approved the procurement of management services at the centre, to test the market to ensure value for money. Following a Public Contract Regulations-compliant procurement process, a seven-year contract was awarded to “Basepoint Centres Ltd” in December 2015 with provision for a extension of up to four years if required. Following a recommendation from GEDCCC and a decision from the Cabinet Member for Economic Development in May 2023, the original contract was extended for one year to allow the centre to continue to provide premises and business support services to local firms and enable the KCC to undertake a review of options for its future.

2. Background

- 2.1 The Old Rectory is a Grade II* Listed building of approximately 270sq m gross (2,900 sq. ft) built in the early 16th Century. The Annexe is a modern building of approx. 673 sq. m gross (7,680sq. ft) over three floors. KCC originally purchased the property from Gravesham Borough Council in 2004 with the intention of bringing the vacant building back into viable economic use.
- 2.2 The business centre currently offers 28 furnished offices providing a minimum of 100 workstations. There is a general lack of workspace available for businesses in the county and the Old Rectory meets an established need for local SMEs in the Gravesham borough.
- 2.3 Presently the centre is almost at full occupancy (96%), with a wide variety of businesses operating from the centre, working within areas of energy efficiency, care support, IT, leisure, recycling, electrics, education, software, lighting, waste management, recruitment, drainage, counselling and surveying services. Some 25 businesses are currently based at the Old Rectory employing around 100 people. Small businesses benefit significantly from the facilities available at the Old Rectory which provides a dynamic, flexible environment in which to grow and benefit from networking and peer-to-peer support on site.
- 2.4 The current 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 covered 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
- 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)
- Providing KCC with monthly accounts detailing the previous month's income and expenditure

2.6 KCC's Growth and Communities division 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 to KCC on an annual basis. KCC's Infrastructure division 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 supports the Kent and Medway Economic Partnership's '**Kent and Medway Economic Framework**' which looks ahead to 2030 and sets out Kent's priorities to build and safeguard a prosperous economy: increasingly productive, sustainable and inclusive. The centre contributes to the ambitions and actions areas in the Framework, for example **action area 4 "Supporting the conditions for growth"** by ensuring access to the spaces that businesses need to expand and by "**embedding economic opportunity at the centre of local regeneration**" (**action area 16**). Through the Kent & Medway Business Advisory Board, KCC is regularly made aware of a general lack of start-up and grow-on space for local businesses in the county.

2.8 A number of local authorities in Kent & Medway currently own or are creating managed workspaces to meet growing demand in the county for flexible and hybrid workspace including Maidstone BC's Business Terrace which is currently being extended to meet the demand for grow-on space, Gravesham BC which is converting part of a shopping centre into flexible work space for local businesses and the Medway Innovation hub which is providing space for companies to use as a base in Chatham town centre.

- 2.9 Gravesham Borough Council's "Economic Development Strategy for Gravesham 2019-23" describes Gravesham's economy as being predominantly made up of small and micro-businesses across a wide range of sectors. Access to business support services, especially to start-up firms, remains important and efforts to co-ordinate this are made locally. The strategy also states that the availability of a good quality supply of employment land and premises in Gravesham is a constraint on expansion of business, jobs and the attraction of inward investment. The Old Rectory has played a key role in addressing these challenges.
- 2.10 According to a 2024 CoStar report, total industrial floorspace in Gravesham only increased by 5% over the last ten years compared to a 44% increase in Dartford and 16% in Medway. Total office floorspace across a total of 118 properties in Gravesham has not increased at all over the last ten years compared to a 3% increase in Dartford. The office vacancy rate in Gravesham is current only 1% which demonstrates that despite the rise in hybrid working, there is a constrained market and positive levels of demand for office space in the borough and across North Kent (vacancy rate of 2%).
- 2.11 Through this centre and the partnership that KCC has developed with the provider, the council maintains a direct role in backing SMEs and entrepreneurs to start-up and grow. With many businesses having to deal with current economic challenges, KCC's involvement with the centre has provided much needed stability and assurance to businesses located at The Old Rectory.

3. Options

- 3.1 Officers have considered five options. The preferred option is to **dispose of the asset and transfer its functions (as a business centre) as a going concern.**
- 3.2 As a going concern, the asset has been valued by Investment and Disposals, Property Strategy at circa £773,000 although an actual figure will only be determined by testing the market.
- 3.3 This option will also ensure continued availability of business workspace in an area of the county where there is a lack of these facilities compared to neighbouring districts reinforcing KCC's commitment to supporting economic regeneration and growth.
- 3.4 Under this option, KCC will forego an annual income stream of at least £25,000 profit from the centre per annum after management and maintenance costs are taken into account.
- 3.5 KCC would need secure interest from a buyer which would take over the ownership of the site and continue to enable local businesses to use the facility. Legal advice would need to be commissioned to establish the terms and conditions any buyer would need to adhere to in order to ensure that the site remained a centre for business rather than being converted for other uses which could put a number of local small businesses at risk.

- 3.6 If the Property is deemed suitable for disposal, KCC might wish to assess whether the property should be retained for a strategic reason or for the delivery of Council services, now or potentially in the future, for example, by providing community facilities, supporting the 'Kent & Medway Economic Framework' or facilitating regeneration or redevelopment. The loss of development potential and the loss of amenity value would also need to be considered.
- 3.7 Staff resource would be required during the current and next financial year from the property team, legal services and the Economy team to oversee and implement the disposal process, inform stakeholders and businesses about the plans and achieve an appropriate outcome for the Council and the businesses on the site.
- 3.8 The main risks associated with this option are securing market interest in taking over the facility as a going concern, ensuring that businesses on the site do not face any disruption and securing a maximum financial return for KCC for the facility.
- 3.9 Other options considered are:
- **Initiate a full Public Contracts Regulations compliant procurement exercise to provide management services to run the facility on behalf of KCC.** While The Old Rectory has benefited from the current service provider maximising potential income generation from the centre, under this option a full procurement process would permit KCC to test the market to ensure continued or better value for money and also receive an ongoing share of profits in the future. The centre could continue to operate on a full cost recovery basis, with gross estimated income from the facility around £1,700,000 over a five year period with KCC receiving in excess of £250,000 which would be used to cover the staff time required to manage the contract, maintenance and improvements to the centre as well as generating surplus income for KCC on an annual basis. However this option would not fully support the objectives of Securing Kent's Future to review all discretionary spend despite the potential for long-term income generation.
 - **Dispose of the asset.** As with the preferred option, under this option KCC would lose out on future income revenue but would receive a one-off capital receipt which could be put towards supporting the Council's financial position. An extension to the current contract would be required if this option were chosen to work through the necessary procedures, give notice to businesses on the site and assist them in finding alternative premises. Investment and Disposals, Property Strategy estimated the current value on the open market with vacant possession ranges from £830,000 to £1.1m but the reality of this figure would only be confirmed by testing the market. This option would pose a significant risk to the tenant businesses on the site which employ over 100 people and may also lead to redundancies for the site management team were the site to no longer operate as a business centre.
 - **Extend the current contract for a duration of 2-years exercising the full extension clause within the existing contract.** Gross estimated income is estimated at around £680,000 if the contract were to be extended for a further

two years, and KCC would receive in excess of £100,000 over this period to support the maintenance of the facility and management of the contract as well as some £50,000 in profit. However, this option would not permit KCC to test the market to ensure both price and best value and would not fully support Securing Kent's Future.

- **KCC to take over the management of the facility.** This option would ensure minimum disruption to existing businesses located at the centre. KCC would also receive all income generated by the facility rather than a share of the profit each year. This operation could be achievable within the forecasted income/profits generated but internal costs would need to cover all running costs, including utilities and marketing, the delivery of all services to the building and its occupiers as well as procuring and managing the core property management services and providing centre staff and is therefore not recommended at a time where all discretionary activities are under review.

4. Financial Implications

4.1 The table below sets out the financial implications of each option

Option	Capital Receipt	Revenue Income	Other considerations
Dispose as a going concern	£733,000 (estimated figure – will only be confirmed by testing the market)	Nil	Loss of ongoing income for KCC and future risk to businesses on site should the facility not be managed to a high standard.
Dispose of the asset	£830,000 to £1,000,000 (estimated figures – will only be confirmed by testing the market)	Nil	Loss of workspace in area where there is a current lack compared to the rest of the county, potential for redundancies for the site management team and disruption and harm to 25 local businesses and their 100 employees
Initiate a full Public Contracts Regulations compliant procurement exercise to provide management services to run the facility on behalf of KCC	Nil	£50,000 per annum approximately	Income would be used to cover staff time to manage the contract and for maintenance as well as generating a surplus for KCC of around £25K pa
Extend the current contract for a duration of 2-years exercising the full		£100,000 gross (£50,000 pa)	Does not allow KCC to test the market for best value

extension clause within the existing contract.			
KCC to take over the management of the facility.		Approximately £83,000 pa gross	KCC would need to take on responsibility for centre staffing, maintenance, marketing costs and delivery of all services to occupants. Surpluses will generate an income stream to KCC and would not need to be shared with an operator retaining the facility on a self-financing basis and an ongoing source of income generation.

5. Legal implications

- 5.1 The Council has a duty under s123 of the 1972 Local Government Act to obtain not less than best consideration in the disposal of property assets.
- 5.2 Legal advice would need to be commissioned to support the disposal process and in particular to ensure that there is a mechanism available to avoid any future changes of use and protect the businesses and the staff operating from the site

6. Equalities implications

- 6.1 In terms of the day to day operations of the site, an EqIA was published in 2023, with low/no negative impact on Protected Groups. Some sections of the Grade II* listed section of the centre are less accessible to those with a physical disability. KCC and Basepoint have made reasonable adjustments to this section of the property (without breaching the law protecting listed buildings) to minimise any negative impacts for disabled customers or employees. The assessment also identifies positive impacts on Protected Groups. The previous assessment was in 2019.
- 6.2 However, a further EqIA will need to be conducted to ensure that the disposal of the site as a going concern would not lead to any disadvantages from groups with protected characteristics. Gravesham is a borough with a high number of black and ethnic minority community residents and although KCC does not currently hold equalities data for site tenants, any change to the availability of business premises for local residents could have a negative impact.

7. Other Corporate Implications

- 7.1 The sale of the property will generate a capital receipt back for KCC to reinvest in other strategic priorities or improve the County's financial position.

8. Governance

- 8.1 Delegated authority is to be given to the Director of Infrastructure, in consultation with the Deputy Leader and Cabinet Member for Finance, Corporate and Traded Services, to finalise the terms of the disposal and execution of all necessary or desirable documentation required to implement the decision.
- 8.2 The Director of Growth and Communities will have delegated authority to enter into a short term contract extension with the current management company to allow time to prepare for and execute the disposal strategy for the property.

9. Conclusions

- 9.1 The [Old Rectory, Northfleet](#) is a KCC-owned facility, managed by an external service provider and has offered high quality office space to SMEs since 2009 offering 28 furnished offices providing a minimum of 100 workstations.
- 9.2 Presently the centre is almost at full occupancy (96%), with a wide variety of businesses operating from the centre,
- 9.3 There is a general lack of workspace available for businesses in the county and the Old Rectory meets a known need for office space for local SMEs in Gravesham borough which has less than neighbouring local authority areas.
- 9.4 The current management contracts ends on 30 November 2024. In light of Securing Kent's Future and review of discretionary spend it is recommended that the property is disposed of as a going concern which will generate a one-off capital receipt for KCC circa £733,000 whilst ensuring that workspace is retained in the county to support small and medium sized businesses in an area where there is a shortage.

10. Recommendations:

The Growth, Economic Development and Communities Cabinet Committee is asked to consider, endorse or make recommendations to the Deputy Leader and Cabinet Member for Finance, Corporate and Traded Services in consultation with the Cabinet Member for Economic Development to:

- (i) APPROVE and DELEGATE to the Director of Growth and Communities to extend the current contract period for a period of nine months to allow time to undertake the disposal.
- (ii) AGREE that the necessary steps can be taken to dispose of the Old Rectory Business Centre in Northfleet as a going concern.
- (iii) DELEGATE authority to The Director of Infrastructure, in consultation with the Deputy Leader and Cabinet Member for Finance, Corporate and Traded Services, to finalise the terms of the disposal and execution of all necessary or desirable documentation required to implement the above.

The Proposed Record of Decision is appended at Appendix A.

11. Background Documents

- Appendix 1 – Old Rectory Business Centre photo gallery and testimonial
- Appendix A – Proposed Record of Decision
- Appendix B – EqIA

12. Contact details

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Appendix 1 - Old Rectory Business Centre photo gallery and selection of testimonials





A selection of testimonials from
www.basepoint.co.uk/locations/northfleet/testimonials

“We have found Basepoint in Northfleet a very welcoming place to work, the unique building sets it aside from any other office space in the area. The staff are always friendly, happy to help and run the building in a professional, efficient way” - Sam Brown, Brown and Mills Entertainment UK Limited

“Very pleased with the decision to take offices with Basepoint, Northfleet. The Old Rectory is a lovely building and the Basepoint staff are very friendly, professional and helpful at every stage” - Richard Woodall, Alma Recruitment

“The centre management team give fantastic customer service and go the extra mile in ensuring that we have minimum administration to deal with which allows us to concentrate on building our business. I would have no hesitation in recommending Basepoint, Northfleet to any prospective tenants” - Graham Stoner, CWI Summits LTD

“Very impressed with the facilities and services available. A pleasant and comfortable working environment. The centre team have been exceptionally helpful in settling us in, and nothing is too much trouble for them. They would be an asset to any business” - Barry Taylor, Vision Windows Ltd

“The BASE motivation seminar I attended was brilliant. I thoroughly enjoyed all of the speakers' talks and learnt some invaluable tips going forward. Thank you for arranging an enjoyable and inspirational morning!” - Kerry Holden, Kerry Holden Interiors