

**From:** Eric Hotson, Cabinet Member for Strategic and Corporate Services  
Rebecca Spore, Director of Infrastructure

**To:** Policy & Resources Cabinet Committee – 18<sup>th</sup> January 2019

**Subject:** Oakwood House Asset Review

**Classification:** Unrestricted (Exempt Appendix – appendix 2 and 3)

**Exempt appendix under schedule 12a of the Local Government Act 1972. Matters contained in the report are commercially sensitive.**

**Past Pathway of Paper:** This is the first formal committee to consider this report

**Future Pathway of Paper:** Policy and Resources Cabinet Committee

**Electoral Division:** Maidstone Central

**Summary:** In line with Asset Management best practice, the Council regularly reviews its asset base to ensure that it is effectively utilising its assets to deliver against the County Council's strategic objectives. This report outlines the asset review that has been undertaken in respect of Oakwood House, the preferred option and the next steps.

**Recommendation(s):**

The Policy and Resources Cabinet Committee are asked to note the asset review for Oakwood House, the preferred option and the next steps.

**1. Introduction**

- 1.1. Oakwood House is a Victorian mansion of brick construction, set over five floors with gardens at the rear of the building. It has been a KCC freehold for many years and has been extended on various occasions over the years, with a large residential/hotel block added in 1992.
- 1.2. Oakwood House is located between the A26 and the A20 and is a short walk from Maidstone West mainline rail station, with good connections to bus routes on the Tonbridge Road and Queens Road within walking distance.
- 1.3. It is sited on a through road connecting Oakwood Road to Queens Road in Maidstone. The building is adjacent to St Simon Stock Catholic School and Mid Kent College, Maidstone. The site is surrounded primarily by educational buildings and green spaces associated with them.

- 1.4. Oakwood House is currently used for conferences, functions and is a commercially licensed wedding venue, with accommodation. The facility is operated on a day to day basis by Genuine Dining who run the hotel business, with GEN2 managing this relationship in their capacity as managing agent.
- 1.5. The ground floor 'Main Block' comprises conference rooms and meeting spaces; the central core of the building comprises function spaces and dining services; the 'Stable Block' comprises offices and family meeting rooms for the Adoption Service; and the 'Residential Block' comprises the hotel element of the building, housing 21 Bedrooms with en-suites. The first floor mirrors the layout of the ground floor on a smaller scale: the Main Block providing meeting rooms (which have previously provided short term office accommodation based on a temporary planning application), with a further 19 bedrooms in the Residential Block and offices in the Stable Block. The basement level is used mainly for storage and plant. The small second and third floor areas are plant rooms. The building also has a large commercial kitchen, toilets and other ancillary rooms. Outside there is an extensive car park to the front and side with disabled bays.
- 1.6. The building is not listed and there are no restrictive covenants on the assets title.

## **2. Financial Implications**

- 2.1. The 2017/18 outturn costs on the Oakwood trading account were a net cost of £296,717. The Oakwood trading account makes a £200k rental payment into the Corporate Landlord budget leaving a net pressure of £96,717 once the rent is taken into account. This is consistent with the forecast for 2018/19.

## **3. History & Context**

- 3.1. Oakwood House was built in the 1860s by the Wigan family and the grounds were used as a golf course in the years leading up to the war. It was sold by the Wigan family to KCC in 1949. Between 2005 and 2010 the Council undertook a series of works in the building to provide:

- Refurbished Bar/ Café area
- The John Wigan suite and overflow car park
- Refurbishment of the 40-bedroom accommodation area
- Toilet refurbishment on the ground floor

- 3.2. See attached Site Plan in Appendix 1.

## **4. Oakwood Review**

- 4.1. A procurement process was undertaken by KCC with a preferred bidder appointed in 2012 to appoint an operator to run the facility as a hotel and

conferencing facility. Unfortunately, the procurement process failed and KCC were unable to award the contract. Following the failed procurement process the facility was utilised to support the new way of working with the first floor being used as short-term office space which came to an end in 2016. The previous provider has continued to operate the facility following the failed procurement process under the terms of the original contract. During this period building work on properties adjacent to Oakwood has impacted on trade and its appeal as a wedding venue. The wedding bookings to date are 38 in 18/19 and 19 in 19/20. The wedding market and hotel market have become increasingly competitive with local budget hotel groups opening nearby. The in-year figure compares to 141 in 2008/9 when the business was at its peak.

- 4.2. The building condition has deteriorated since the last significant works in 2005 and 2010 and is now due a significant refresh if KCC were to continue to operate it as a commercially licensed wedding venue. To support the business in its current form would require remedial refreshment over coming years. Capital funding would need to be prioritised as part of the Council's future capital programme.
- 4.3. Additional measures have been taken in the short term to increase utilisation which include reviewing package prices and rates, closer contract management and ensuring that the tactical procurement team use Oakwood when possible for sourcing external meeting facilities.

## **5. Options Considered**

- 5.1. As part of the asset review several high-level options have been explored from a property perspective. These included:
  - Option 1 – DO NOTHING / RETAIN. Under this option the Council would continue to operate the facility, undertake the minimum works in the short term pending a procurement process to appoint a new provider to operate the facility.
  - Option 2 – SELL/ DISPOSE of the site
  - Option 3 – RECONFIGURE/ REPURPOSE the building for other KCC services. The Council has an identified need for accommodation in the Maidstone area to support the Coroner Services, Registrars Services, Adult Education and the Adoption Service.
- 5.2. The summary option appraisals along with the financial assessment are set out in the exempt appendix 2

## **6. Financial summary**

6.1 The detailed financial summary is contained within the exempt appendix 2. The financial assessment of the options was considered against option 1 which created the baseline option for financial assessment purposes. As each option has a variety of income flows and costs a Net Present Value assessment was also undertaken. The financial appraisal concludes that Option 3 presents the best overall financial option for the Council and enables once in steady state the Council to derive a revenue benefit. Whilst this option requires investment it also enables the Council to release several other assets.

## **7. Preferred Option and Next Steps**

7.1 A review of the Oakwood House operation suggests that continuing as is doesn't present a viable option for the Council, in the current financial climate the Council cannot continue to support a revenue pressure for a non-core business. The market has become increasingly challenging and given the previously failed procurement exercise there is no indication that a procurement would have a greater level of success at this stage and the Council successfully engaging an operator on terms which would be acceptable. It is unlikely that a capital bid for investment in the facility would be supported given the limited capital available.

7.2 The disposal of the asset would reduce the current revenue pressure however the Council would have to absorb the loss of rent and find alternative options for its service requirements. This is likely to require the Council to acquire other assets either on a leasehold or freehold basis. Site searches have been underway for some time and it has proved challenging to identify alternative premises which are affordable and meet the service requirements.

7.3 The reuse of the building by KCC services has been identified as the preferred option as it creates a better value for money proposition than outright sale or the continued operation as a hotel/conferencing venue in addition to providing suitable long-term accommodation which meets KCC service requirements in the locality. This option allows the Council to exit other leased accommodation and release assets for disposal. Initial feasibility work has confirmed that with the necessary adaptations the facility can accommodate the following KCC services:

- Adult Education Services
- Coroners Services
- The Kent Register Office
- Adoption Service

7.4 The services have been consulted and are supportive in principle of the proposals, although this will be subject to service consultations as appropriate as the detailed design work continues. The proposed blend of uses allows for spaces within the building to be used throughout the day and during the evening 7 days a week and the potential opportunity to gain some efficiencies through bringing some of these services together.

- 7.5 The timelines to meet the Council's service accommodation requirements are constrained and work is therefore underway to undertake the necessary due diligence to confirm the initial option appraisal assumptions. It is anticipated that building work would be required to commence in September 2019 to meet the service requirements, planning permission and obtaining a change of use has been identified as a key potential risk to the delivery timetable. In order to de-risk this aspect a change of use application will be made at the earliest opportunity in 2019.
- 7.6 The existing supplier is aware of the proposals and is committed to working with the Council to manage any change. Given the nature of the building works the venue will not be able to remain operational during this period. Whilst every opportunity is being taken to maximise bookings in the short term until the end of August 2019, no bookings are currently being taken beyond that point. Any pre-existing bookings after August 2019 are currently being contacted to discuss what options exist and to give the customer as much notice as possible of the proposed building works.
- 7.7 A full business case and a key decision to enter into building contracts is proposed to be taken later in April/ May 2019 for the Council to proceed and commit capital expenditure to undertake the building works. Any service consultations will be completed alongside this as appropriate along with a full equality impact assessment.
- 7.8 The next steps and indicative timetable are set out below

Table showing key milestones:

Milestone	Target Date
Detailed design on preferred option and service design/ consultation	January - May 2019
Agree procurement route	February 2019
Policy and Resources Cabinet Committee	April/May 2019
Cabinet Member Decision	April/May 2019
Decision to Award Contracts	May 2019
Start on Site	September 2019
Completion on Site	Late Summer/ Early Autumn 2020
Occupation by Services	2020

## 8. Recommendation

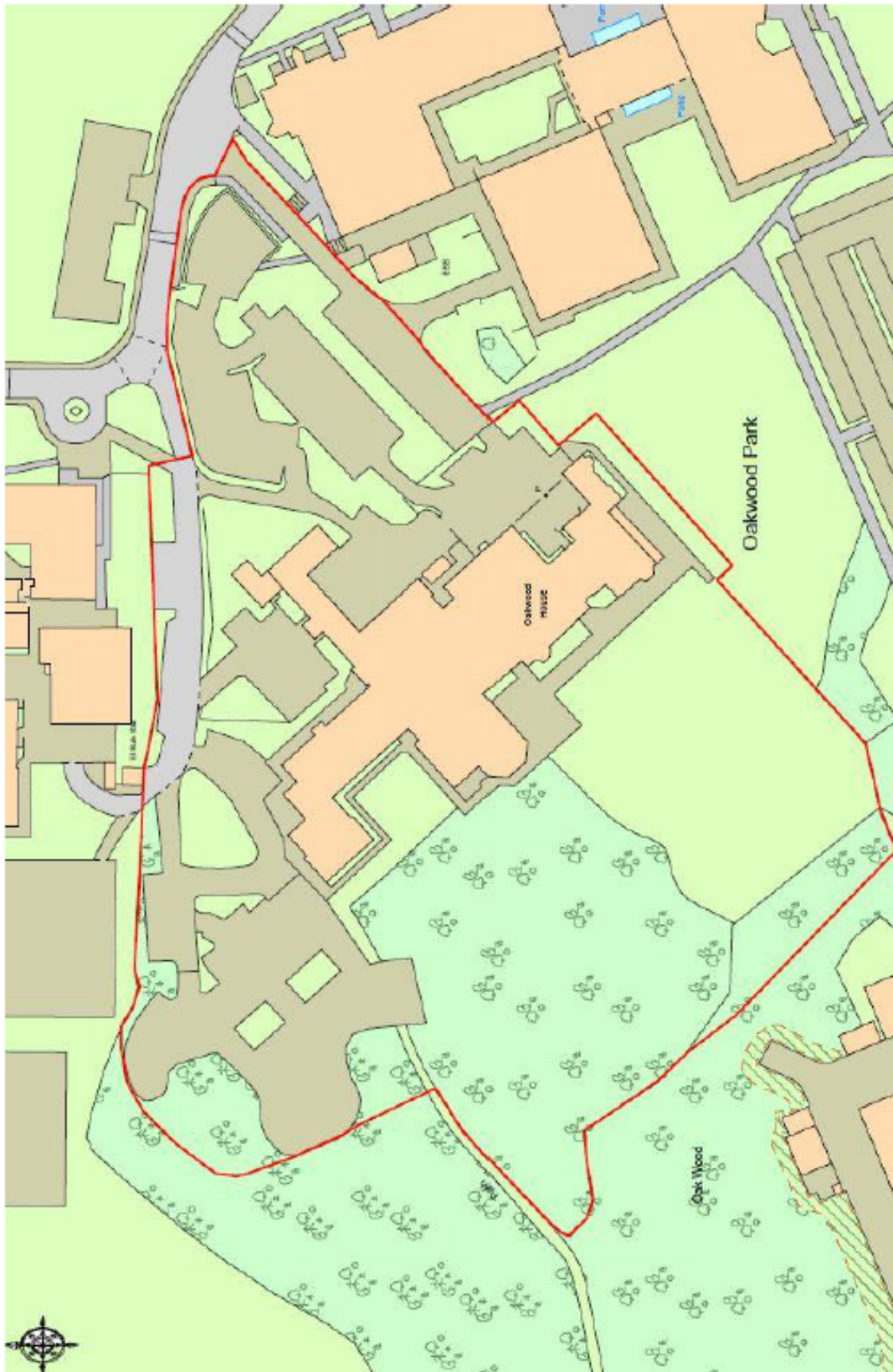
The Policy and Resources Cabinet Committee are asked to note the asset review for Oakwood House, the preferred option and the next steps.

## 9. Contact Details

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**APPENDIX 1**



Source: Pro Map (2018)