



Executive Committee

Mon 11 Nov
2019
6.30 pm

Council Chamber
Town Hall
Redditch

REDDITCH BOROUGH COUNCIL

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Executive

Committee

Monday, 11th November, 2019

6.30 pm

Council Chamber - Town Hall
Redditch

Agenda

Membership:

Cllrs:	Matthew Dormer (Chair)	Julian Grubb Bill Hartnett
	David Thain (Vice- Chair)	Mike Rouse Craig Warhurst
	Greg Chance	
	Brandon Clayton	

1. Apologies

2. Declarations of Interest

To invite Councillors to declare any Disclosable Pecuniary Interests and / or Other Disclosable Interests they may have in items on the agenda, and to confirm the nature of those interests.

3. Leader's Announcements

4. Minutes (Pages 1 - 12)

5. Budget Scrutiny Working Group - Recommendations (Pages 13 - 18)

6. Town Centre Regeneration (Community Hub and Railway Quarter) (Pages 19 - 32)

This item will be subject to pre-scrutiny at a meeting of the Overview and Scrutiny Committee that is due to take place on 7th November 2019. Any recommendations arising from this meeting in respect of this item will be reported for the consideration of the Executive Committee.

As requested by Members the covering report for this item will be included in the main agenda pack and the appendices in an Additional Papers pack.

7. Section 24 - Monitoring Update Report (Pages 33 - 38)

8. Overview and Scrutiny Committee (Pages 39 - 50)

Any recommendations arising from the meeting of the Overview and Scrutiny Committee due to be held on 7th November will be considered under the relevant item on the agenda.

9. Minutes / Referrals - Overview and Scrutiny Committee, Executive Panels etc.

To receive and consider any outstanding minutes or referrals from the Overview and Scrutiny Committee, Executive Panels etc. since the last meeting of the Executive Committee, other than as detailed in the items above.

10. Advisory Panels - update report

Members are invited to provide verbal updates, if any, in respect of the following bodies:

- a) Climate change Cross Party Working Group – Chair, Councillor Brandon Clayton
- b) Constitutional Review Working Panel – Chair, Councillor Matthew Dormer;
- c) Corporate Parenting Steering Group – Council Representative, Councillor Juliette Brunner;
- d) Member Support Steering Group – Chair, Councillor Matthew Dormer; and
- e) Planning Advisory Panel – Chair, Councillor Matthew Dormer.

11. Exclusion of the Press and Public

Should it be necessary, in the opinion of the Chief Executive, during the course of the meeting to consider excluding the public from the meeting on the grounds that exempt information is likely to be divulged, it may be necessary to move the following resolution:

“That, under S.100 (A) (4) of the Local Government Act 1972, the public be excluded from the meeting for the following matter(s) on the grounds that it/they involve(s) the likely disclosure of exempt information as defined in the relevant paragraphs (to be specified) of Part 1 of Schedule 12 (A) of the said Act”.

These paragraphs are as follows:

Subject to the “public interest” test, information relating to:

- Para 3 – financial or business affairs;

and may need to be considered as ‘exempt’.

12. Unit 17, Broad Ground Road, Redditch and the Redditch Business Centres (Pages 51 - 90)



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MINUTES

Present:

Councillor Matthew Dormer (Chair), Councillor David Thain (Vice-Chair) and Councillors Greg Chance, Brandon Clayton, Julian Grubb, Bill Hartnett, Mike Rouse and Craig Warhurst

Also Present:

Joe Baker, Peter Fleming, Ann Isherwood and Wanda King

Officers:

Ruth Bamford, Kevin Dicks, Claire Felton, Sue Hanley, Jayne Pickering, Guy Revans, David Riley and Ian Roberts

Senior Democratic Services Officer:

Jess Bayley

42. APOLOGIES

There were no apologies for absence.

43. DECLARATIONS OF INTEREST

There were no declarations of interest.

44. LEADER'S ANNOUNCEMENTS

A document detailing the Leader's announcements was circulated at the meeting.

During consideration of this item the withdrawal of the Concessionary Rents Policy item from the agenda was noted. Concerns were raised about the content of the document that had been published in the agenda and the impact in the local community. However, the Leader explained that the item had been postponed to provide time for meetings to take place with Voluntary and Community Sector (VCS) groups, both collectively and individually.

.....
Chair

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45. MINUTES

RESOLVED that

the minutes of the meeting of the Executive Committee held on Tuesday 10th September 2019 be approved as a true and correct record and signed by the Chair.

46. CONCESSIONARY RENTS POLICY

The Chair confirmed at the start of the meeting that this item had been withdrawn.

47. REVIEW OF COUNCIL TAX SUPPORT SCHEME

The Financial Support Manager presented a report in respect of a review of the Council Tax Support Scheme. Officers had considered whether changes should be made to the scheme but had concluded that this was not necessary at this time.

RECOMMENDED that

No changes are made to the council tax reduction scheme for 2020/21 other than the uprating of allowances, disregards and other financial limits.

**48. TENANCY CONDITIONS AND TENANCY HANDBOOK -
OUTCOME OF CONSULTATION**

The Head of Community Services presented a report in respect of a proposed new tenancy agreement and tenancy handbook. Members were advised that since the publication of the agenda some amendments had been made to the Housing Tenancy Agreement and Conditions, in accordance with legal advice, and a new copy of this document was circulated at the meeting for Members' consideration.

The documents had previously been considered at a meeting of the Executive Committee held on 9th July 2019 when Members had agreed that the Council should consult with tenants about the proposed changes. A significant amount of consultation had been undertaken with tenants in respect of this matter. Many tenants had indicated that it would be helpful for copies of the Tenancy Handbook to be made available for consideration on the Council's website as well as a hard copy at Redditch Library.

Members praised the amount of consultation that had been conducted with tenants in respect of this matter. There was general

consensus that the agreement would help to protect Council assets and enable the authority to more effectively manage tenancies.

During consideration of this item some concerns were raised about the extent to which it would be possible for the Council to undertake enforcement action in accordance with the conditions detailed in the handbook and agreement. Members suggested that there would be a need for enforcement action to be applied consistently to address this issue.

The Committee was informed that the agreement would apply to new Council tenancies and would be reviewed every three to five years. Should there be any problems in relation to existing tenancies the Council would seek to comply with the new conditions moving forward.

RESOLVED that

following formal consultation, the Housing Tenancy Agreement and Conditions be adopted; the proposal to introduce a new Tenants Handbook to be endorsed by Members to compliment the Housing Tenancy Agreement and Conditions.

49. TENANCY RECHARGE POLICY

The Environmental Services Manager presented a report which proposed the introduction of a Tenancy Recharge Policy for the Council. This policy needed to be considered in conjunction with the Tenancy Agreement and new Tenants' Handbook. The aim of the policy was to rebalance the relationship between the Council, which had specific legal responsibilities as a landlord, and tenants living in Council Houses so that tenants took on some responsibilities. The policy would apply in cases where tenants had wilfully caused damage to Council property and would enable the authority to charge the tenant for repair work in those cases. Officers had consulted with tenants about the proposed policy and the feedback that had been received to date in respect of this matter had been largely positive. An equality impact assessment had also been undertaken and Officers had concluded in this assessment that the introduction of the policy would not result in discrimination against residents.

Following presentation of the report Members discussed a number of points in detail:

- The introduction of the policy would ensure that Council tenants took on some responsibilities for maintaining their Council property in a similar manner to residents who lived in private rented accommodation in the Borough.

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- The fee that would be charged would only need to cover the cost of the repair works and would not be designed to generate a profit.
- Concerns were raised about the potential that some tenants would be penalised for wear and tear in a property. Officers explained that the policy would not be applied in those circumstances and the Repairs and Maintenance team would be able to identify malicious damage as opposed to wear and tear.
- Further concerns were raised about the amount of consultation that had been undertaken with tenants in respect of this matter.
- The lack of inclusion of a right of an appeal in the policy was also raised as a concern. Officers explained that fourth-tier managers would determine whether the tenant should be recharged for work under the policy. The tenant could make a complaint to the Council about the application of the policy where this was considered inappropriate and that would provide an opportunity for the decision to be reviewed by senior officers.
- The cases in which the Council would not apply a recharge, despite being eligible to do so under the policy, were briefly discussed. Officers explained that this could occur if the tenant died during the tenancy or in cases where the tenant could prove that they had been the victim of criminal damage.
- Members noted that many Redditch residents were on low incomes or in receipt of benefit payments and the potential for the recharge fee to be waived for residents in this position was raised. Officers explained that there would need to be an assessment on a case by case basis, though the tenant's financial circumstances could be taken into account as part of this process.
- Concerns were raised that some tenants might be charged for electrical tests, which were cited as a responsibility of the Council as the landlord. However, Officers explained that this charge would only apply in cases where tenants had undertaken unauthorised DIY work which resulted in the need for electrical tests.
- The level of the charges that would be applied and how these had been identified were also discussed. Officers explained that a benchmarking exercise had been undertaken, whereby charges in other local authority areas had been considered, and the charges had been set for Redditch Borough Council at a level that was lower than all of the other areas that had been considered as part of this process.
- The methods that would be used to communicate the introduction of the policy were briefly considered by the Committee. Members were informed that the policy would be available for tenants to access on the Council's website and

would be communicated to tenants by Officers working in the Locality teams when new tenancies were signed. Hard copies of the policy could be made available on request.

RECOMMENDED that

the Housing Rechargeable Repairs Policy be adopted.

50. PLANNING OBLIGATION REFORMS - CHARGING FOR SECTION 106 MONITORING

The Head of Planning and Regeneration presented a report in respect of the Council's ability to charge for monitoring work on Section 106 agreements with developers.

National planning regulations had changed in September 2019. These changes had introduced a right for local authorities to charge developers for monitoring the delivery of work in respect of Section 106 agreements. For example, the Council would be monitoring contributions from the developer in relation to highways and open spaces and whether these contributions were being made according to deadline. The Council already undertook this work but the charge would enable the Council to cover the costs of the monitoring arrangements.

The charge that would be levied in order to undertake monitoring work would vary between developments. Therefore, Officers were asking for power to be delegated to the Head of Planning and Regeneration to determine the fee for each development following consultation with the relevant Portfolio Holder. It was anticipated that the fee would be relatively low, would be agreed prior to the start of development and that it would be paid at the start of the monitoring process in many cases.

RECOMMENDED that

- 1) the Council approves with immediate effect the inclusion of a monitoring charge within Section 106 agreements in accordance with the Regulations; and**
- 2) delegated authority be given to the Head of Planning and Regeneration Services following consultation with the Portfolio Holder for Planning and Regulatory Services, to develop and implement as soon as possible a charging approach in line with the Regulations.**

51. SECTION 24 UPDATE

The Executive Director of Finance and Corporate Resources presented an update on the Council's response to the Section 24

Notice that was issued by the authority's external auditors, Grant Thornton. The response had already been considered and approved by the Audit, Governance and Standards Committee in September and that Committee would be receiving a further update at a meeting on 31st October 2019.

The Council had a balanced budget for 2019/20 however, from 2020/21 onwards there were significant financial pressures. A number of savings had already been made for 2020/21. Non-essential spend had been stopped, there had been a vacancy freeze and a review of reserves and managers' ability to override budgets where no funds remained available had ceased. There was a need to reduce the Council's overheads, arising from support services. Whilst unidentified savings had been included in the budget for 2019/20 Officers were aiming to ensure that there would be no further unidentified savings included in the Medium Term Financial Plan (MTFP) in future years.

The financial position in subsequent years remained challenging. In the past the Council had approved a balanced budget for the first year but not for the subsequent three years in the plan. However, the external auditors had clarified that the Council would be expected to have a balanced budget for the full four-year period of the plan. Difficult decisions would be required from Members in order to achieve a balanced budget.

Members discussed the report and the progress that had been made in terms of addressing the points that had been raised by the external auditors in the Section 24 Notice. The external auditors had been kept informed about the Council's plans and would continue to engage through meetings with the Portfolio Holders, senior Officers and through attendance at meetings of the Audit, Governance and Standards Committee. Different views were subsequently shared by Members in respect of the reasons why the Council had been issued with a Section 24 Notice and the decisions that might need to be taken to balance the budget moving forward.

RESOLVED that

the Council's responses to the Section 24 recommendations, as approved by the Audit, Governance and Standards Committee on 26th September 2019, be noted.

52. MEDIUM TERM FINANCIAL PLAN 2020/21 TO 2023/24 - UPDATE REPORT (PRESENTATION)

The Executive Director of Finance and Corporate Resources delivered a presentation which provided an update in respect of the MTFP for the period 2020/21 to 2023/24 (Appendix 1).

During the delivery of this presentation the following matters were highlighted for Members' consideration:

- The Council would usually receive final confirmation of the financial settlement from the government in early December. However, the timeframes could change should there be a general election.
- The local authority was in the process of reviewing the capital programme, particularly aspects such as vehicle replacements and investment opportunities. A significant budget had been allocated to investments made by the Council but this had not been spent as anticipated and therefore the budget had been amended to reflect current practice.
- The Council was anticipating that a greater contribution would need to be made to increment payments for staff during the period of the plan than had originally been anticipated.
- The national pay award for staff, at 2 per cent, was 1 per cent higher than had been planned.
- The Council had retendered the authority's insurance and this would result in £80,000 in savings.
- The Council was also making savings in the Minimum Revenue Position (MRP).
- The Government had announced that the Council would receive funding from the New Homes Bonus (NHB) in the first year of the four year plan. This was more than had been anticipated, though it appeared unlikely that further NHB funding would be received in subsequent years.
- The Government had also announced that district Councils would only be able to increase Council Tax by up to 1.99 per cent before triggering a referendum, which was less than the 2.99 per cent that had been anticipated.
- In December the MTFP report would contain a clear position statement in respect of how the Council would deliver savings and balance the budget for the full period of the plan.
- The Housing Revenue Account (HRA), including a review of Council rents, would be considered by the Executive Committee in January 2020.

Members subsequently discussed the Council's budget in detail and in so doing noted that difficult decisions would be required in order to achieve a balanced budget between 2020/21 to 2023/24. Concerns were raised about the loss of NHB funding for district Councils in future years. Members also noted that Worcestershire County Council would receive the majority of funding from Council Tax returns and could raise their Council Tax contributions by up to 3.99 per cent, subject to the additional funding being invested in social care services.

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The Committee concluded the discussions by thanking the Executive Director for Finances and Corporate Resources, the Financial Services Manager and the Financial Services team for their hard work.

RESOLVED that

the report be noted.

53. OVERVIEW AND SCRUTINY COMMITTEE

The Committee was informed that there were no outstanding recommendations for consideration.

RESOLVED that

the minutes of the meeting of the Overview and Scrutiny Committee held on 5th September 2019 be noted.

54. MINUTES / REFERRALS - OVERVIEW AND SCRUTINY COMMITTEE, EXECUTIVE PANELS ETC.

Members were advised that there were no referrals for consideration from other Committees on this occasion.

55. ADVISORY PANELS - UPDATE REPORT

The following updates were provided in respect of the Council's Executive Advisory Panels:

- a) Climate Change Cross Party Working Group – Chair, Councillor Brandon Clayton

The Committee was advised that the first meeting of this group was scheduled to take place on 19th November 2019.

- b) Constitutional Review Working Party – Chair, Councillor Matthew Dormer

Members were informed that the latest meeting of the Constitutional Review Working Party had been cancelled due to lack of business.

- c) Corporate Parenting Board – Councillor Representative, Councillor Juliet Brunner

Members noted that Councillor Brunner had provided a written update in respect of the latest meeting of the Corporate Parenting Board.

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The Chair advised that, to ensure a member of the Executive Committee represented the Council on this Board in future he would be nominating Councillor Julian Grubb to represent the authority on this body at the following meeting of Council.

d) Member Support Working Group – Chair, Councillor Matthew Dormer

The Committee was informed that at the latest meeting of the Member Support Steering Group Members had considered information about IT support for elected Members. A demonstration had been provided of the new modern.gov app, which the group had agreed should be rolled out to all Councillors to provide them with electronic access to Committee papers. In addition, Members had agreed to participate in a trial using Office 365 software on their iPads.

The group had also discussed the induction process for Members due to be elected in May 2020 and a draft induction programme had been agreed. Furthermore, the group had discussed data protection training and had agreed that it should be mandatory for all Members to attend a data protection training session each year.

e) Planning Advisory Panel – Chair, Councillor Matthew Dormer

Members were informed that Officers were in the process of organising for a meeting of the Planning Advisory Panel to take place.

56. ENFIELD ESTATE REPORT

The Executive Director of Finance and Corporate Resources presented a report in respect of the Enfield estate.

(During consideration of this item Members discussed matters that necessitated the disclosure of exempt information. It was therefore agreed to exclude the press and public prior to any debate on the grounds that information would be revealed relating to the financial affairs of any particular body (including the authority holding that information.))

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By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

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BUDGET SCRUTINY WORKING GROUP – RECOMMENDATIONS

Relevant Portfolio Holder	Councillor David Thain
Portfolio Holder Consulted	N/A
Relevant Head of Service	Jayne Pickering, Executive Director of Finance and Corporate Resources and Claire Felton, Head of Legal, Equalities and Democratic Services.
Ward(s) Affected	All wards.
Non-Key Decision	

1. SUMMARY OF PROPOSALS

This report provides background to recommendations that have been made by the Budget Scrutiny Working Group. These recommendations have been agreed by the group, following consideration of information about the Section 24 Notice that was issued to Redditch Borough Council in July 2019 and are designed to enhance decisions made by Councillors that may have significant financial implications.

2. RECOMMENDATIONS

The Committee is asked to **RESOLVE** that

- 1) **business cases for new investment and acquisition opportunities for the Council should all be considered by the Budget Scrutiny Working Group before a decision is taken by the Executive Committee; and**
- 2) **the financial implications detailed in reports to the Executive Committee should address the following points as a minimum:**
 - a) **the financial costs of the proposed action;**
 - b) **the source of funding for the proposed action;**
 - c) **potential alternative options and the financial costs of each alternative option; and**
 - d) **the financial costs to the Council where the proposed action deviates from previous Council policy.**

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3. KEY ISSUES**Background**

- 3.1 At a meeting of the Budget Scrutiny Working Group held on 14th October 2019 Members considered information about the Section 24 Notice that was issued to the Council in July 2019. The group was advised that the Council has been making a lot of progress to address the concerns raised by the authority's external auditors, Grant Thornton. However, Members were also advised that additional action is required and that the budget for the full four-year period of the Medium Term Financial Plan (MTFP) will not be balanced through making efficiency savings alone. Instead, Members will need to make difficult decisions, which could involve exploring alternative ways of delivering services, cutting services and exploring commercial opportunities that could result in increased income.

Investment and Acquisition Opportunities

- 3.2 One of the methods that the Council could use to secure additional income is to agree investments and acquisitions that could result in a financial return for the Council. In January 2018 the Council approved an Acquisition and Investment strategy which delegated power for approving any proposed investments and acquisitions to the Executive Committee. This ensures that the Council can make decisions promptly which is essential to ensure that the authority can be competitive.
- 3.3 To date the Executive Committee has considered two proposed investments under the terms of this policy. Neither of these investments were subject to detailed budget scrutiny.
- 3.4 The Budget Scrutiny Working Group is not opposed to the Executive Committee making investments or acquisitions and Members recognise that these can have a positive impact on the Council's budget position. However, at a time when the Council is in a challenging financial position the group is in agreement that all future business cases for proposed investments and acquisitions should be subject to detailed budget scrutiny. This would help to provide the Executive Committee with assurance that the proposals are sound and will have a positive impact on the Council's finances. Furthermore, the group contend that this is particularly important at a time when the Public Works Loan Board (PWLB) has increased borrowing costs for local authorities to 3.01%. As the Council borrows to make investments Members need to be certain that projections for any investment are sound and have been thoroughly scrutinised.
- 3.5 The Overview and Scrutiny Committee and Budget Scrutiny Working Group can choose to scrutinise anything impacting on the Borough. However, the recommendation proposing that all business cases for new investment and acquisition opportunities should be considered by the Budget Scrutiny Working

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Group would build that requirement into Council policy. This will ensure that the group do not miss any opportunity to scrutinise future businesses cases.

Committee Reports

- 3.6 Currently the Council's report template for reports to the Executive Committee requires report authors to note the financial implications arising from the action(s) proposed in the report.
- 3.7 The Budget Scrutiny Working Group does accept that all Members, not just Executive Committee Members, can access reports, including exempt information in reports and this is a positive aspect of the Council's democratic process. This enables all Members to actively take part in decision making and enhances transparency. However, Members of the Budget Scrutiny Working Group are suggesting that improvements could be made to the way in which financial implications to proposals are reported.
- 3.8 At a meeting of the Audit, Governance and Standards Committee held on 26th September 2019 concerns were raised that the full financial implications had not been clear for a number of decisions taken by Members. Specifically, it was suggested that further information needed to be provided about the financial costs of taking alternative action as well as the financial implications arising from taking action that deviated from previous Council policy.
- 3.9 Having considered the points raised at the Audit, Governance and standards Committee meeting the Budget Scrutiny Working Group have concluded that additional financial information in Committee reports would help Members when making difficult decisions in order to balance the budget. Members of the group are therefore proposing that the following information should be provided in Committee reports which would help Members:
- Information about the financial implications of the proposed action. This should outline the costs to the Council of taking that action and the reason for those costs. Generally this information is already included in reports.
 - Details about the source of the funding for the proposed action. Members are anticipating that the report author could clarify whether the proposed action would be funded using an existing revenue budget, capital funding, reserves, external grant funding or other sources.
 - The potential alternative options that the Executive Committee or Council could approve instead of the action proposed in the report and the financial implications of these alternatives. The group are suggesting that there should be a full options appraisals with the financial implications of each detailed in reports, as this would help Members to assess the relative merits of the options available to the Council.
 - Information about the financial costs to the Council arising when a proposed action deviates from previous Council policy. The group feels that this would help to clarify the financial implications arising from making changes to policy.

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Financial Implications

- 3.10 A number of financial implications are detailed throughout the report.
- 3.11 The Budget Scrutiny Working Group contend that the recommendations detailed in this report will help to enhance the decision making process at Redditch Borough Council and will enable Members to manage the Council's budget more effectively in future.

Legal Implications

- 3.12 There are no specific legal implications.

Service / Operational Implications

- 3.13 The Budget Scrutiny Working Group has been delegated with responsibility for scrutinising the Council's budget by the Overview and Scrutiny Committee. Budget scrutiny has an important role to play in reviewing the Council's budget, assessing any previous challenges with the budget and identifying how to avoid such challenges in the future and can bring forward proposals that should make a positive contribution to the Council's budget position moving forward.
- 3.14 The group convenes meetings on an ad hoc basis and at present generally meet once a month. The group recognises that in order for the Council to be competitive the Council needs to act fast in making decisions about any investment and acquisition opportunities. To ensure that scrutiny of any such opportunities does not place the Council at a competitive disadvantage, the Budget Scrutiny Working Group is prepared to meet at short notice to assess the proposals.

Customer / Equalities and Diversity Implications

- 3.15 There are no specific customer or equalities and diversity implications.

4. RISK MANAGEMENT

- 4.1 The Budget Scrutiny Working Group is concerned that there is a risk that if the actions proposed in this report are not approved Members will be asked to make decisions with significant financial implications without proper detailed scrutiny.
- 4.2 The group is also concerned that without the additional information suggested for inclusion in the financial implications section of a report Members will not be able to make decisions informed by the full facts in respect of the financial costs to the Council of a particular action.

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5. APPENDICES

N/A

6. BACKGROUND PAPERS

Grant Thornton – Audit Findings Report 2018/19, report to the Audit, Governance and Standards Committee meeting held on 29th July 2019.

Minutes of the Audit, Governance and Standards Committee meeting held on 29th July 2019.

Financial Framework 2020/21 to 2023/24, report to the Executive Committee meeting held on 10th September 2019.

Minutes of the Executive Committee meeting held on 10th September 2019.

Section 24 Response, report to the Audit, Governance and Standards Committee meeting held on 26th September 2019.

Minutes of the Audit, Governance and Standards Committee meeting held on 26th September 2019.

AUTHOR OF REPORT

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Redditch Town Centre Regeneration

Relevant Portfolio Holder	Cllr Matthew Dormer - Leader of the Council and Portfolio Holder for Planning, Economic Development, Commercialism and Partnerships
Portfolio Holder Consulted	Yes
Relevant Head of Service	Kevin Dicks
Ward(s) Affected	Central and Abbey Ward
Ward Councillor(s) Consulted	Yes
Key Decision / Non-Key Decision	Key Decision

1. SUMMARY OF PROPOSALS

This report provides members of the Executive Committee with an update on the delivery of the Town Centre Regeneration Programme.

Specifically this report sets out the updated position with regards to the concept of a Community Hub and masterplanning options for key sites within the Town Centre.

2. RECOMMENDATIONS

The Committee is asked to **RECOMMEND** that

- 1) The Council note the BDP Town Centre Sites report (appendix 4) and endorses the concept of a comprehensive regeneration scheme for the station quarter, Church Road sites, the Library site and the outdoor market site;
- 2) the Council agrees the content of the Dragongate Community Hub Business Case and BDP's Redditch Town Centre Development Sites Final Report be used as a basis for submitting a proposal to the Towns Fund; and
- 3) the Council agrees that the content of the Dragongate Community Hub Business Case and BDP's Redditch Town Centre Development Sites Final Report be used as a basis for submitting a bid to the Greater Birmingham and Solihull Local Enterprise Partnership's Strategic Economic Plan (SEP) Enabling Fund.

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The Committee is asked to RESOLVE that:

- 4) the findings of the state of the area debate (appendix 1) are noted and officers are instructed to produce a future consultation plan related to the town centre regeneration programme;
- 5) the content of the Dragongate Community Hub business case (appendix 2) be noted and the Executive Committee endorse the concept of a Community Hub within the Public Sector and Culture quarter (appendix 3);
- 6) authority be delegated to the Chief Executive after consultation with the Leader of the Council and Portfolio Holder for Planning, Economic Development, Commercialism and Partnerships to commission an architect-led professional team to draw up feasible and deliverable design proposals supported by viability appraisals for a Community Hub, to include consideration of partners' requirements; and
- 7) subject to the agreement of recommendation 1 above, authority be delegated to the Chief Executive after consultation with the Leader of the Council and Portfolio Holder for Planning, Economic Development, Commercialism and Partnerships to work with key partners on the wider initiatives.

3. KEY ISSUES

3.1 Current Position

The concept plan outlined in the March 2018 Executive report set out a vision to create well defined quarters and a retail hub within the Town Centre which provide a complementary and exciting offer to residents and visitors. It also set out a vision for an uplift in the town centre public realm to provide a more pleasant and enjoyable environment for residents. As visioning and ambition for town centre regeneration has progressed this concept plan has been revised in recognition of the need to secure new investment. The Redditch Regeneration Board has overseen the new Quarters Plan (Appendix 3), detailed below, for the town centre's future development, building on its residual strengths and on the collective will to deliver positive change.

3.2 'Four Quarters'

The focus for activity is centred on four regeneration quarters:

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- Station and Residential
- Education and Enterprise
- Retail and Leisure – Kingfisher Centre and surrounds
- Public Sector & Cultural Quarter

At the heart of these quarters is the old town, anchored by the church and its surrounds. Linking the quarters together will be the new place making strategy which will consider connectivity, design and integration of these quarters. Concept plans for Public Realm improvements are in place to complement the redevelopment sites and ensure areas remain attractive vibrant places where people want to visit shop and spend time. This report will consider the sites within the quarters individually.

3.3 Community Hub

The consideration of a shared hub for public services was a component of earlier town centre studies – One Public Estate Review. The Council and its public sector partners recognised the opportunity to enhance their position by consolidating public services, including those currently delivered outside the centre, within a new community services ‘hub’.

3.4 In August 2018, the Executive agreed in principle support to work with partners to develop a multi-agency Public Services Hub. In November 2018 Redditch Borough Council commissioned DragonGate Market Intelligence (DGMI) to develop a business case for moving forward with town centre public service hub with the local authority as anchor. The commission required DGMI to engage adjacent local partners in the public sector and establish the strength of the case for a project to meet the twin objectives of the regeneration of Redditch town centre and the Council-led transformation of public services delivered collaboratively in the town. The scope of the outline business case was to review all reasonable options including refurbishment of the existing Town Hall, the wholesale redevelopment of the existing site and relocation of a new build within the vicinity of the Public Sector and Cultural Quarter.

3.5 Dragongate engaged with a full range of local partners and public service organisations to assess the appetite for a facility of this type and secured in principle support from a number of tenants – see report. This information in addition to an assessment of the current working arrangements/space requirements at the town hall resulted in a preferred option emerging from the business case which is to build a new Community Hub and retain the existing Town Hall to be either sold or let.

3.6 There were clear benefits for pursuing the hub shown in the report which achieved both regeneration and transformational objectives;

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- Increasing footfall arising from the co-location of a large number of public services in one space – public services which are in broad and increasing demand and which are generally complementary (e.g. Benefits, DWP (Jobcentre Plus), Citizens Advice, GPs in the longer term);
- Providing a catalyst for more attractive rent levels arising from those contingent upon a new BREEAM Excellent building; and
- Freeing up space for other development in the centre – housing and/or budget hotel.

- 3.7 Indicative space requirements at that time to include a new library facility, partner requirements and existing council services equated to the requirement for a building/2 buildings of around 92,000sqft (gross external floor area). Over the summer months Officers have met individually with all potential community hub partners to establish specific floor space requirements and has seen this figure decrease impacting on the suggestion by Dragongate to erect 1 or 2 new buildings within the vicinity of the Town Hall.
- 3.8 The appointment of an architect led team as a next stage will re-evaluate the need for a new building or whether the conversion of the Town Hall with possible extension and the use of the redundant market area can be pursued. As part of the design commission it is considered that we would need to ask the consultants to consider high level design options before providing detailed designs on the preferred option. In terms of funding the next stage of the process, in addition to monies previously ring fenced for town centre work, there will be the opportunity to bid for further revenue support from the GBSLEP SEP Enabling Fund. It is understood that a new bidding round for this fund would be launched shortly;
- 3.9 With the support of members the next steps in relation to the delivery of the Community Hub are as follows:
- Formulate MOUs with each partner
 - Appraise funding and cost model options with a view to identify the most appropriate model for the Council
 - Initial design options in conjunction with partners
 - Timeframes
 - Programme and strategy for delivery
- 3.10 Key Sites

In addition to the work in relation to the Community Hub, the Executive resolved in August 2018 to progress work on other town centre sites outlined in the Redditch Regeneration Prospectus. Following a competitive procurement exercise, the Redditch Town Centre Development Sites Study was commissioned in November 2018 led by

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BDP, assisted by Highgate Land and Development and BE Group. The purpose of the study was to develop a master plan and implementation proposals for three key development sites within the town centre; the Railway Quarter, the Church Road site and the Library site. The objective behind the development of the sites was to promote the regeneration and growth of Redditch town centre, in support of the wider economic and development strategies of RBC and the Worcestershire and Greater Birmingham and Solihull Local Economic Partnerships (LEPs). The Preferred masterplan options presented below have evolved from a wider range of options and have been tested against the impact of key variables, such as the density of development, mix of uses and building typologies, and potential for phased implementation. Each option was subject to client review, viability testing and consideration of deliverability and fit with policy and wider town centre regeneration and growth objectives.

3.11 Railway Quarter

The Station area and Church Rd make up the new residential quarter and railway quarter and provide the most significant opportunity to provide new residential accommodation into the town centre. The preferred option for the railway quarter includes the following;

- Expansion of the rail station forming an elevated 'concourse' to provide pedestrian accessibility to Bromsgrove Road level. Hotel above the station is to incorporate a high level connection into Kingfisher Hub level.
- Improved crossing point between station and bus-station on Bromsgrove Rd, enhanced public realm and pedestrian crossing to reinforce connectivity
- New MSCP parking facility with increased capacity for the station and access from Hewell Road.
- Creation of high-quality public realm fronting the station reinforced by retail offers leading from Unicorn Hill to the station
- Creation of the 'Front Door' gateway into the Kingfisher Centre through the introduction of an enclosed glazed entrance hall, replacing the existing stairs with escalators.
- The delivery of the preferred option is not dependent on provision of a second track & platform at the train station, although the concept design shows a dual track. The intention was to illustrate that the preferred option could accommodate a second track, if necessary.

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3.12 Church Road

The preferred option for the Church Rd site includes the following:

- Preserve and enhance setting of listed buildings by creating high quality garden and public squares
- Work with the established plateaux of the site to define development plots incorporating HE land ownership
- Create new green streets and spaces as a natural extension of the neighbourhood context.
- Mix of residential typologies including town houses and apartments to serve the local community and meet the wider demand.
- Commercial uses proposed fronting the Church Green West and Church Road.
- A large food store offer with associated parking to serve the local residents as well as a wider area.

These sites are existing brownfield sites and hold prominent locations within the town centre. The initial concept plans produced through this work identify that the sites could deliver circa 400 new residential units, commercial office space/convenience retailing and café pavilion. The proposal seeks to address a number of the challenges resulting in increased footfall, natural surveillance and increased dwell time. Enhanced pedestrian links provide improved connectivity with the kingfisher Shopping Centre and Unicorn Hill.

3.13 Library

The BDP report shows a preferred option for the library site to include;

- Demolition of existing building and creation of a new public square.
- New pavilion building provided to east of to create focus and activation for the square.
- Permeable definition to the historic street boundary frames the square
- Existing retail units within the Kingfisher Centre present an opportunity to be reconfigured to front on to the new Square.

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- Alcester Walk benefits from secondary frontage of pavilion.
- Promote connection to and from Kingfisher Shopping Centre. Signage very poor and hard to see where routes to Town Centre exist.
- Capitalise on the quality of the square and surroundings of St Stephens Church. Potential for stronger commercial and community uses.
- Possible reconfiguration of no. 11 & 12 fronting Church Green to promote foot fall through Market Walk

It's important to note here that there are clear interdependencies between the wider community hub project and the library site. Any preferred option for the library site can only start to be implemented once the community hub project has been finalised allowing the library services to relocate.

3.14 Redundant Market Area

The objectives of the masterplan option are to bring this area, which is largely owned by the Council, back into use as part of the town centre. In doing so, consideration must be given to the uses that will contribute to the vibrancy and success of the town centre without competing with existing developments. In addition, the urban design solution should encourage footfall and activity in areas and along routes that facilitate wider connectivity and overall town centre activity and safety. Three masterplan options have been developed to test alternative approaches to the redevelopment of the site. The key drivers for the options are as follows:

Option 1: Do Minimum

The first option takes away the canopy structures to open up the space and encourage more use of the space, encouraged by remodelling of the Kingfisher Centre to present retail and food & drink uses as the market square level and the terrace level above (which is the ground floor level of the Kingfisher Centre). The use of the voids underneath the service access ramp is also proposed, to maximise the potential for active uses around the square.

Option 2: Market Square

The second option proposes the removal of the service access ramp to open up the square and create the possibility of remodelling the various buildings around the new space to allow for ground floor businesses, leisure and food & drink uses to enliven the square and create a new,

attractive town centre destination that is also a much improved entrance into the Kingfisher Centre.

Option 3: New Development

The third option uses the removal of the service access ramp as per Option 2, as an opportunity to introduce new buildings on the former site of the outdoor market. The new building would serve to reduce the current open area to a street sized space, with a remodelled Kingfisher Centre facing the new buildings. Servicing of Threadneedle House and the new buildings would be contained between the buildings.

This site will play a key part in the Public Sector and Cultural area and will interlink with the implementation of the Community Hub therefore will be included in the boundary plan for any architect led commission work going forward.

3.15 Retail and Leisure Quarter

The main focus for the Council on Improving the Town Centre retail and leisure offer and dwell time is through supporting the existing retailers and the wider business community in the creation of a business improvement district, which could raise funds for consolidating and promoting the town centre. The process of developing a BID presents opportunities to promote the town centre retail offer and to communicate with the wider stakeholder community our plans and the integrated investment strategy. The BID ballot was a positive result.

- 3.16 Officers will continue to work with the Kingfisher Management team and the Capital & Regional asset team to look at opportunities for development that complement the wider regeneration initiative and ensure vibrancy and vitality across the town centre.

3.17 Education and Enterprise Quarter

The release of the existing police station and related onsite parking is a site that could be redeveloped to create incubator units to support new businesses and improve links between businesses and HoW College. Initial dialogue with Worcestershire LEP has indicated the potential for this site being used for Betaden North – a dynamic launch pad for tech entrepreneurs. The existing Betaden located in the south of Worcestershire has access to a 5G test bed and this could be replicated in this enterprise quarter. Discussions with partners are ongoing however this is intrinsically linked with the Community Hub and the police being able to relocate.

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3.18 Next Steps

Subject to the support of members, the next steps associated with the above projects are as follows:

- Establish MOUs with Partners and confirm they have the necessary outline approvals to commit to relocating to the Community Services Hub and to dispose of their existing land assets;
- Commission an architect-led professional team to draw up feasible and deliverable design proposals supported by viability appraisals for a Community Hub
- Carry out further soft market testing of the development proposals to ensure that there is sufficient market interest in bringing them forward;
- Progress several funding proposals including under the Town Fund and Greater Birmingham and Solihull LEP to secure funding for the next project stages
- Consider likely phasing of development where required and potential Delivery Mechanisms/routes to market, including strategic partnering and joint ventures
- Formulate land assembly strategies, where required, to enable development to be brought forward
- Consultation with planners and other statutory bodies regarding the redevelopment proposals;

3.19 Funding

To ensure the progression of the town centre vision the council has already submitted and had approved funding bids through the Greater Birmingham and Solihull LEP SEP Programme which has provided revenue funding for the Railway Quarter Area and the One Public Estate Partnership to further the regeneration plans.

3.20 Conclusion

- 3.21 The regeneration programme will be overseen by the 'Redditch Town Centre Regeneration Board' led by the Chief Executive and key strategic partners. The Regeneration Board will be responsible for driving forward delivery of the overall regeneration programme and

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internally a project management team has been formed to ensure cohesion across the council.

- 3.22 In summary, the Council remains committed to delivering an ambitious and credible regeneration programme which has the potential to create an exciting new future for Redditch and crucially unlock significant levels of public and private sector investment and unlock the potential of Redditch Town Centre. The proposals included in this report and accompanying documents set out the overall framework and parameters for the town centre regeneration and provide the foundation for developing specific schemes, which will be subject to extensive stakeholder and public engagement.

4.0 Financial Implications

- 4.1 Following procurement a detailed financial model for the project was developed by Dragongate and is predicated on a number of assumptions. The key 3 assumptions were:

- a capital receipt of £1.5 million would be achieved by selling the town hall based on valuation for a housing development .
- a rent per square foot of £21.43 would be achieved
- that the borrowing rates from PWLB would be as at 8 March 2019.

- 4.2 These assumptions were assessed by the finance department at the council, and based on market data and advice from an independent property advisor Savills, they have now been amended as follows:

- The capital receipt has been adjusted to £1 million
- The rent per square foot for tenants has been reduced to £15 per square foot in line with a high, but achievable rent for Redditch for good quality office space.
- The borrowing has been adjusted to take into account the recent 1% increase in PWLB borrowing.

- 4.3 The changes in these three assumptions, coupled with the rest of the Dragongate model has resulted in the below outcomes based on a 35 year Net Present Value basis. The column titled "RBC Cost/Benefit p.a" compares each option to the 'as is' position to determine if it is a net cost/benefit when compared to doing nothing:

Option	Details	NIA Building size m2	NIA Building size ft2	Total 35 Year NPV costs £'000	(Income) / Cost per annum £'000	RBC (Cost) / Benefit p.a. £'000
As Is	No change - current running costs + maintenance backlog + future maintenance	7,250	78,040	15,215	435	0

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Option 1	New Town Hall only, current usage, Agile working	2,304	24,800	12,269	351	84
Option 2	Option 1 + capital receipt for old property	2,304	24,800	11,303	323	112
Option 3	Option 2 + Tenant space + profit rents	7,433	80,010	15,641	447	(12)
Option 4	Option 3 + grant aid	7,433	80,010	13,708	392	43
Option 3a	Capital receipt at 50% value - 100% projected third party space, no grant	7,433	80,010	16,124	461	(26)
Option 3b	Capital receipt & 100% of third party space - profit rent at 60% of nominal value, no grant	7,433	80,010	24,952	713	(278)
Option 3c	Capital receipt at full value + 50% of projected third party space, no grant	4,868	52,400	13,432	384	51
Option 3d	Capital receipt at 50% and 50% of third party space, no grant	4,868	52,400	13,915	398	37
Option 3e	Option 3 with no capital receipt	7,433	80,010	£16,607	474	(39)

4.5 The above table demonstrates that from a purely financial perspective, only options 1, 2, 4, 3c and 3d are viable. Of these options, option 2 offers the greatest financial return to the council when compared to the current position of remaining as is. The other options offer marginal returns on such significant outlays of capital expenditure. The potential grant aid source or amount has not been confirmed at this stage.

5.0 Legal Implications

5.1 There are a number of proposals in the Regeneration Prospectus that relate to land which is largely outside of the Council's ownership and control. Although there may be at the current time an agreement in principle with other public authorities to work together to achieve the objectives, the priorities of other authorities may change and there is no legal commitment for any other parties to commit land in their ownership to the objectives (at any or at an agreed price).

5.2 The Council has powers to purchase interests in land from (public or private sector) landowners compulsorily. Compulsory purchase powers are only available to the Council for a set range of purposes and may only be used if necessary for the delivery of a fully funded and deliverable scheme (which fits within one of the purposes). Even if such a scheme were in place, before purchasing compulsorily the Council would be required to demonstrate that the objectives of the scheme could not be achieved in any other way and that the benefit to the public interest outweighed the interference with private property rights. The threshold for justification of compulsory purchase is high as

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interference with property rights represents an infringement of human rights.

- 5.3 If compulsory purchase is necessary the process may take several years to complete and with the potential for protracted negotiations with landowners and a public inquiry, the costs would not be insignificant. Landowners may expect to sell their property by agreement at an inflated price so as to “save” on the costs of compulsory purchase. Landowners whose property is purchased compulsorily may be entitled to compensation above and beyond the value of the land itself.
- 5.4 The proposed developments / redevelopments would be subject to planning consent. The Council as the local planning authority would have to deal with all planning applications strictly on their planning merits.

Service / Operational Implications

- 5.5 To progress the ambitious proposals set out in this report, there will be a need for the Council and its partners to allocate additional resources.

Customer / Equalities and Diversity Implications

- 5.6 The delivery of the overall Redditch regeneration programme will improve the Town Centre of Redditch. The implementation of a Community Hub will seek to improve services from a customer perspective.

6. RISK MANAGEMENT

A detailed ‘Risk Log’ will need to be produced as part of the detailed business case. However an initial risk register has been produced as follows:

RISK REGISTER	Impact (H/M/L)	Likelihood (H/M/L)	Risk Rating (R/A/G)	Risk Mitigation
Lack of stakeholder buy in and support	H	M	A	Continue to work closely with key stakeholders and ensure collaborative thinking is at the heart of decision making.
Each land owner disposes of land assets individually	H	L	A	As above

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rather than as part of a cohesive regeneration programme				
Financial risks associated with proposed development	H	L	A	Full business case will include detailed assessment of financial inputs i.e. build costs, sales prices, rental levels, demand, occupancy levels. No financial decisions will be made without a robust business case.
Reputational risk to Council and partners	M	M	A	Strong project management controls will be put into place to ensure that projects deliver on time and to budget. Additional resource will be sought to supplement project capacity.
Inability to secure funding and investment	H	M	A	The Council will seek funding from the Worcestershire LEP, West Midlands Combined Authority, Great Birmingham and Solihull LEP and relevant central government funding programmes and initiatives. It is anticipated that investment from the public sector will create the confidence for the private sector to invest in Redditch Town Centre.
Negative perception and image of Redditch	H	M	A	As part of the regeneration programme, the Council will work

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				with key partners such as the Kingfisher Shopping Centre to look at how it can re-position Redditch and counter negative perceptions.
Market does not respond to the Council's vision	H	M	A	Market analysis will be commissioned to underpin the development of business cases for key projects including an assessment of demand for office uses, the residential market and retail and leisure opportunities.

7. APPENDICES

Appendix 1	State of the area debate summary
Appendix 2	Dragongate Community Hub Business Case
Appendix 3	Town Centre Quarters Plan
Appendix 4	BDP Town Centre Sites report

8. BACKGROUND PAPERS**9. KEY****AUTHOR OF REPORT**

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SECTION 24 UPDATE

Relevant Portfolio Holder	Councillor David Thain, Portfolio Holder for Corporate Management
Portfolio Holder Consulted	Yes
Relevant Head of Service	Jayne Pickering, Executive Director Finance and Resources
Wards Affected	All Wards

1. SUMMARY OF PROPOSALS

This report details the actions in relation to the Section 24 Notice as approved by Committee on 26th September 2019.

2. RECOMMENDATIONS

The Committee is asked to RESOLVE that the report be noted.

3. KEY ISSUES

- 3.1 As Members are aware, in July 2019, Grant Thornton, the Councils External Auditor issued a number of Statutory Recommendations under Section 24 of the Local Audit and Accountability Act 2014. These recommendations are included in this report at 3.5, 3.6 and 3.7.
- 3.2 The responses to the Section 24 notice were approved by this Committee on 26th September and members requested regular updates in relation to the actions undertaken.
- 3.3 Officers continue to work through the financial management and position of the Council to enable a balanced financial position to be presented to Council in February 2020.
- 3.4 The formal Section 24 recommendations are detailed below with an update from officers as to the actions undertaken to date:
- 3.5 **Recommendation 1 (from Grant Thornton S24 Notice)**

A full assessment of the deliverability of the £1.13 million savings challenge for 2019/20 and the agreement and monitoring of actions by the Executive that either prevent or minimise the further use of both General Fund and HRA balances in 2019/20.

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3.5.1 Redditch Borough Council Actions & Update:

- All savings are monitored on a monthly basis with Heads of Service and budget holders during finance meetings with individual finance representatives
- Quarterly reports to Executive and Audit, Governance and Standards Committee are presented to include detailed savings schedules showing delivery of savings or areas of concern where additional income or cost reductions are not being achieved. Action plans to be in place from Quarter 2 2019/20 to identify how any shortfalls will be met
- Quarterly identification of further additional income and savings detailed on separate schedule to ensure vacancy management savings and non allocated savings of £181k are being met
- Budgets to be adjusted to draw down additional savings to increase general fund balances where appropriate
- HRA – plans in place to mitigate spend on Repairs and Maintenance to ensure savings made to protect HRA balances
- Vacancy and non essential spend freeze in place with the aim to delivery additional savings to support the balances position for both HRA and General Fund
- Override on budgets no longer available and list of orders considered by the HOS on a monthly basis

3.5.2 Update to October 2019:

Quarter 2 budget monitoring reports for General Fund revenue and capital and HRA are currently being prepared and officers have reviewed the expenditure and income levels to manage the budget and deliver savings to maintain and improve the balances position. Whilst the final position is not finalised it is anticipated that savings and additional income have been realised and the unidentified savings of £181k will be met by the end of 2019/20.

3.6 Recommendation 2 (from Grant Thornton S24 Notice)

A financial plan for 2020/21 that includes the identification of further deliverable savings and income generation schemes, cost base reductions and Council Tax increases that eliminates the planned £1.17 million use of General Fund balances and ensures there are no further calls on HRA balances. This will require Members to take difficult decisions about sustainable levels of service and increases in Council Tax.

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3.6.1 Redditch Borough Council Actions & Update:

For future years the Council will adopt a financial framework and strategy that focuses on the following aims:

- To ensure resources are directed to the council's strategic purposes and priorities
- To set financially sustainable budgets over the 4 year period for General Fund and HRA
- To increase balances to £1.5m in the General Revenue Fund and £1m in the HRA
- To maximise income opportunities whilst supporting the vulnerable
- Identify and disinvest in non-priority areas
- To ensure all savings are achievable and developed with robust data
- To reduce overheads & direct costs over the 4 year period
- To maximise use of assets and disinvest surplus or non-performing assets
- To further develop the commercial culture within the Council
- To consider and adapt to the uncertain future financial climate
- To work with the public, members and staff to engage and inform partners on the impact of the financial pressures of the Council

3.6.2 Actions agreed to meet budget shortfalls

- Portfolio Holder and CMT workshop arranged to consider future direction (priorities and non-priorities) against the backdrop of the financial position to enable robust and deliverable saving proposals to be made
- Present to members from September onwards options for savings and additional income generation to be proposed for medium term financial plan
- Delivery of financial strategy for October Executive to address concerns on financial sustainability
- Detailed review of 2018/19 actual v 2019/20 budget to enable any additional budget allocated to be released for the period 2019/20-2021/23

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- Consideration of all vacant posts by Head of Service and Strategic Lead to ensure any excess vacant posts are released for the period 2019/20-2021/23
- Review of costs associated with support services and robust estimates of savings realised from new systems and automation to be made
- Full and detailed review of the Capital Programme to assess need of spend against projects and vehicles (including replacement period of vehicles).
- Robust business cases to be presented where additional spend is required to meet strategic priorities
- Maximise asset sales to receive capital receipts where appropriate to balance revenue streams within the Council.
- Maximise rental income from assets
- Consideration by budget scrutiny to enable challenge of savings proposed
- Work with Grant Thornton and other Councils to identify best practice in the identification and monitoring of savings
- Further review of use of agency staff to reduce spend
- Staff briefings in September to explain the current financial issues
- Consideration of further efficiencies that can be achieved by digitisation / automation of services
- Realistic assessment of income that can be achieved by more commercial activity

3.6.3 Update to October 2019

- Executive considered and agreed the overarching framework to enable the budget to be developed to ensure financial sustainability to be delivered over the medium term financial plan.
- Officers identified reserves that can be released to support the financial position (appreciating one year benefit)

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- Fees and charges for 2020/21 being prepared for consideration by members in December. To include a review of potential commercial opportunities that may be available and in consideration of fee levels for services provided
- Full review of the Capital Programme has been undertaken to reduce impact of borrowing on the general fund and HRA
- Full review of staffing establishment by management team in early November to consider vacant posts for deletion
- Projections of savings to be realised from new system to be made for 2021/22 onwards

3.7 Recommendation 3 (from Grant Thornton S24 Notice)

Agreement of a realistic financial plan for 2021/22 that has deliverable savings and seeks to ensure that there are no further planned uses of General Fund and HRA balances that would put them below a financial sustainable level.

3.7.1 Redditch Borough Council Actions & Update:

- The current level of savings or additional income are most significant in 2020/21 at £1.2m, this rises to £1.5m over the following 3 year period as currently defined in the Medium Term Financial Plan.
- As detailed above one of the aims of the financial strategy is to have a balanced position for the 4 year period when the budget is agreed for 2020/21. Therefore the updates as detailed in Recommendation 2 will cover the 4 year period to enable the delivery of a financially sustainable plan and mitigate the risk of any further reduction in General Fund or HRA balances.

4 Financial Implications

- 4.1 As detailed above the financial position of the Council needs urgent review and consideration in order to meet the projected future budget shortfall.

5 Legal Implications

- 5.1 Following the Audit for 2018/19 Grant Thornton have issued the Council with a Statutory recommendation made under section 24 of the Local Audit and Accountability Act 2014. Grant Thornton has powers and duties under this Act to include making written recommendations to the Council and the Council is required by the Act to hold a public meeting to consider such recommendations and publicly respond to them.

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6 Service/Operational Implications

- 6.1 The future financial position of the Council and the ongoing uncertainties for Local Government funding will require significant savings and additional income. It is clear that there will have to be changes to service delivery to meet the required level of savings and officers will be working with members to ensure any impact on service delivery is considered in full with all impacts understood.

7 Customer / Equalities and Diversity Implications

- 7.1 Should any service delivery be revised or reduced then full impact assessments will be undertaken to ensure the impact on members of our community is understood and assessed.

8 RISK MANAGEMENT

- 8.1 The Section 24 recommendation will be included on the Corporate Risk Register to ensure it is given the highest priority for resolve over the next few months.
- 8.2 The financial sustainability of the Council is a risk that will be managed and reported to members on a regular basis.

9 APPENDICES

None

10 BACKGROUND PAPERS

None

AUTHOR OF REPORT

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Overview and Scrutiny Committee

Thursday, 24th October, 2019

MINUTES

Present:

Councillor Joe Baker (Chair), Councillor Debbie Chance (Vice-Chair) and Councillors Salman Akbar, Michael Chalk, Peter Fleming, Andrew Fry, Anthony Lovell and Yvonne Smith

Also Present:

Councillor Ann Isherwood

Officers:

Sue Hanley and Anna Wallace

Senior Democratic Services Officer:

J Bayley

34. APOLOGIES AND NAMED SUBSTITUTES

Apologies for absence were received on behalf of Councillors Joanne Beecham, Mark Shurmer and Jenny Wheeler. It was confirmed that Councillor Anthony Lovell was attending as a substitute for Councillor Beecham and Councillor Yvonne Smith was attending as a substitute for Councillor Shurmer.

35. DECLARATIONS OF INTEREST AND OF PARTY WHIP

There were no declarations of interest nor of any party whip.

36. MINUTES

RESOLVED that

the minutes of the Overview and Scrutiny Committee meeting held on Thursday 5th September 2019 be approved as a true and correct record and signed by the Chair.

.....
Chair

Overview and Scrutiny Committee

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37. PUBLIC SPEAKING

There was no public speaking on this occasion.

38. HEREFORDSHIRE AND WORCESTERSHIRE SUSTAINABILITY AND TRANSFORMATION PARTNERSHIP - UPDATE

Members welcomed the Director of Strategy and Partnerships for Worcestershire Health and Care Trust and the STP Communications and Engagement Lead to the meeting to discuss the Herefordshire and Worcestershire Sustainability and Transformation Plan (STP). During consideration of this matter the following points were highlighted for Members' consideration:

- In 2016 the NHS had been required to produce STP plans across the country. Locally, a decision had been taken for Herefordshire and Worcestershire to work together on an STP.
- The STP had provided an opportunity for different branches of the NHS to work together to address health issues in the local area.
- Increasingly the focus was on wrapping services around the needs of local communities rather than shaping services around the requirements of organisations.
- At a national level there was a movement towards an accountable care system. This had been interpreted by some as an attempt to privatise services but the real aim had been to enable the private sector to work better together in the delivery of care services.
- There was a lot of duplication in the NHS. The aim through working together was to identify duplication, streamline services and then use available resources to meet community needs.
- The Herefordshire and Worcestershire STP had progressed more quickly than some STPs in the country, partly because the organisational composition of the partnership working arrangements was less complex than in other locations.
- A key aim through work on the STP was to improve the performance of existing services. However, unfortunately in some cases services would not be available locally, including Tier 4 mental health beds, which meant that referrals had to be made out of the area.
- The NHS long-term plan had been published in 2019 and required further changes moving forward.
- There were some key objectives in the long-term plan, including to improve cancer services, improve mental health service outcomes, improve waiting times and to address

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issues, including waiting time at A&E. Many of these issues were a problem nationally, not just locally.

- Since the last Redditch Overview and Scrutiny Committee meeting when an update had been provided on the STP, Worcestershire Healthwatch had undertaken a significant amount of consultation with hard to reach groups.
- There had been a number of messages consistently raised during this consultation process including the complexity of the NHS and social care system, the need for transport to be available to help people access services, the valuable work undertaken by carers and the need to provide support to them and problems accessing general practice.
- Consideration was being given to providing services in alternative formats to the traditional approach in order to meet the needs of patients. For example people who worked might appreciate a telephone conversation at an appointed time. In order to identify suitable alternatives the NHS needed to consult with the public about their needs and preferences.
- The local Neighbourhood Teams in Redditch were working to develop resilience within general practice.
- More support was being provided to eating disorder services and to mental health services than ever before.
- Social proscripting was increasingly being used to help those who approached their GP for help but who did not necessarily require a medical intervention. Social proscripting could also result in preventative action that helped people to avoid needing medical interventions at a later date.
- The Clinical Commissioning Groups (CCGs) in Worcestershire were shortly due to merge from four into one. It was anticipated that the new Worcestershire CCG would have a more strategic focus than the four CCGs had had in the past.
- At the local level detailed spending plans had been developed in response to the national long-term plan. These plans would be reported to the NHS West Midlands and would be reviewed on at least an annual basis.
- There was an expectation that organisations' plans would match local plans in the STPs and then this would also be reflected at a regional and national level.
- There remained a number of challenges facing the NHS locally which were generally replicated at a national level. This included medical staff shortages and financial challenges. There was a need to both encourage existing staff to remain in post and to promote medical careers to future generations.
- The collaboration that was taking place locally felt very positive and appeared to be different to the past. As part of this process organisations were working together to identify

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how to respond to different health challenges and were pooling funding.

Following the presentation of the update report Members discussed a number of points in detail:

- The potential impact that Brexit would have on the NHS. The Committee was advised that guidance had been provided at a national level in respect of planning for Brexit.
- The funding that would be available to the NHS once Brexit had taken place. Members were advised that the finances in the national funding plan for the NHS had been announced earlier in the year and was intended for; aging well, primary care, learning disabilities, cancer and mental health services.
- The good quality care that was received from staff working in the NHS. Members unanimously praised staff for their hard work and dedication.
- The difficulties that people often encountered when first attempting to access care services and the frustration and anxiety that this could cause, particularly to people diagnosed with cancer when placed on a waiting list.
- The performance of Worcestershire Acute Hospitals NHS Trust (WAHT). Members noted that many targets had been missed in service provision and this caused concerns for the public.
- The action that was being taken to address the performance issues for WAHT. Members were informed that the STP and long-term plan both focused on driving up performance. Urgent care and cancer services both had their own work streams and actions that were designed to reduce waiting times.
- The need to encourage people to access a range of services, not just A&E. The Committee was advised that other parts of the country adopted a more active approach to encouraging people to use alternative services which meant that A&E in those areas concentrated on the more urgent cases.
- The systems in place within the NHS and the need for these to be streamlined to ensure that they did not act as barriers to effective service delivery.
- Mental health services for young people and the age at which children could start to access these services. Members were advised that there was a Children and Adolescent Mental Health Services (CAMHS) support group for those aged under five.
- The age at which young people transferred from CAMHS to adult mental health services. The Committee was informed

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that the Government was considering increasing the age at which this occurred from 18 to 25.

- The increasing demand for the services of CAMHS which had been identified at a recent meeting of the Worcestershire Health and Wellbeing Board.
- The important role of schools and GP practices respectively in terms of enabling early intervention in cases where children and young people were experiencing mental health problems.
- The issues that the Suicide Prevention Task Group had already identified, in terms of accessing crisis care and the funding available for mental health services. Members were advised that, whilst there were no Tier 4 mental health beds in the area, there had been an increase in investment in tier 3+ services which had helped to reduce demand at the tier 4 level.
- The difficulties for people experiencing social isolation, including people with caring responsibilities. The Committee was informed that Voluntary and Community Sector (VCS) organisations were delivering projects to tackle social isolation, including Age UK's Social Connecting project.
- The problem in Birmingham of people from outside the city registering at GP practices inside the city and the impact that this had had on demand. Members were advised that this was not a problem in Redditch.
- The digital introduction to the CAMHS service that was available for young people to use. Members were advised that lots of young people preferred to have a digital introduction to the service before they physically met with practitioners.
- The bar that had been set in order to access CAMHS services and the need for support to still be made available for those children and young people who did not meet this threshold. Members were informed that the Reach for Wellbeing service had been introduced in 2018 which was designed to provide services to children and young people before an intervention was required from CAMHS.
- The potential for information about local wellbeing services to be publicised in a single directory. Members were advised that it was likely that a single directory would be published by the Council in future.
- The difficulties encountered by children and parents if they had to wait for a lengthy period of time in A&E before treatment and the impact that this could have on a child's education.
- The capital investment funding that had recently been announced for WAHT and how this would be spent. Members were advised that a lot of capital spending was on hold in the

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NHS as discussions were taking place about how it would be released.

- The evidence basis for work on the STP and long-term national plans. The Committee was informed that much of the evidence basis was from other countries. For example in Holland demand was kept down through helping people to maintain independent lives in their own homes.
- The date when all of the plans would be fully implemented and no further change would be required. Members were advised that this was unlikely to occur due to advances in medical treatments and technology.
- The changing local demography and the challenges that this presented for the NHS and social care services. Members were informed that in the following five years there would be an increase of 49 per cent of the number of people in their 80s living in Malvern Hills district alone and they would have particular medical needs.
- The delays that some Members had encountered to ambulance services and at A&E and the impact that these waiting times could have on vulnerable residents.
- The process for making complaints about the quality of care received by residents and measures that could be taken to ensure that health services were held to account. The Committee was informed that complaints could be made directly to the relevant organisation. Reports could also be made to the Care Quality Commission (CQC) and NHS services were held to account by the Worcestershire Health Overview and Scrutiny Committee (HOSC).
- The role of NHS West Midlands. Members were advised that NHS West Midlands had been formed in the region following the merger of NHS England and NHS Providers.
- The positive recent development whereby it had been agreed that the drugs needed by some stroke patients within an hour of having a stroke could be administered at any location subject to approval by a consultant over the telephone, rather than the deadline being missed due to capacity issues.
- The potential for 5G to be introduced in Redditch and the medical advances that could then be made at the Alexandra Hospital as a consequence.

Members concluded by agreeing that a further update in future to the Committee would be helpful.

RESOLVED that

the report be noted.

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39. EXECUTIVE COMMITTEE MINUTES AND SCRUTINY OF THE EXECUTIVE COMMITTEE'S WORK PROGRAMME - SELECTING ITEMS FOR SCRUTINY

Officers advised that at the meeting of the Executive Committee held on 10th September 2019 the Overview and Scrutiny Committee's recommendations in respect of the disposal of the Housing Revenue Account (HRA) asset from Green Road, Studley had been approved.

Members also considered the latest edition of the Executive Committee's Work Programme which covered the period 1st November 2019 to 29th February 2020.

During consideration of the work programme Members noted that in some cases the titles of the items listed in the work programme did not necessarily clarify the purpose of the item. This made it difficult for the Overview and Scrutiny Committee to determine whether an item would be suitable for pre-scrutiny. Members therefore requested that the Corporate Management Team (CMT) should consider the titles of items listed on the work programme and ensure that these were recorded in a way that would clarify the purpose of each item.

The Committee also briefly discussed the meaning of the term "key decision" and how this was reported in the Executive Work Programme. Officers explained that key decisions could only be taken by the Executive Committee and clarification was provided of the meaning of the term "key decision" with reference being made to information provided on the front cover of the work programme. However, it was confirmed that whilst a report might not require Members to make a key decision the proposals could have very important implications for the Council and Members might still wish to pre-scrutinise reports in those circumstances.

Members subsequently discussed the content of the Executive Committee's Work Programme and agreed that, in addition to those items already on the Overview and Scrutiny Committee's Work Programme, the following items should be pre-scrutinised:

- Housing Strategy report.
- Review of the One Stop Shops.
- Voluntary and Community Sector Grants Programme 2020/21.
- Leisure and Cultural Services Strategy.

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Officers confirmed that the quarterly financial monitoring reports would be considered by the Budget Scrutiny Working Group as and when available.

RESOLVED that

- 1) the Overview and Scrutiny Committee's Work Programme be updated to include the items for pre-scrutiny detailed in the preamble above;**
- 2) the minutes of the meeting of the Executive Committee held on 10th September be noted; and**
- 3) the content of the Executive Committee's work programme for the period 1st November 2019 to 29th February 2020 be noted.**

40. OVERVIEW AND SCRUTINY WORK PROGRAMME

Officers advised that the items that had been identified for pre-scrutiny during the meeting would be added to the Overview and Scrutiny Committee's work programme. The majority of these items would need to be considered at the December meeting of the Overview and Scrutiny Committee, if all proceeded according to schedule. This would create a very lengthy agenda and Members were advised that it was therefore possible an extra meeting of the Committee would be required in December to enable Members to consider all of these items.

During consideration of the Overview and Scrutiny Committee's Work Programme the Chair proposed that the Committee should consider the subject of the Council's Concessionary Rents Policy at the meeting due to take place on 7th November. Members were advised that the report in respect of Concessionary Rents that had been due to be considered by the Executive Committee on 29th October would not now be considered until December. Whilst the report that had been published in the agenda for the 29th October meeting remained in the public domain this report had been withdrawn. There was a possibility that the contents of the report would change by December and the proposals could differ from those in the document that had already been published. Therefore it would not be appropriate for the report already the public domain to be discussed at this stage. A verbal update or short written statement could, however, potentially be provided.

Members discussed the subject of the Concessionary Rents report in some depth. On the one hand concerns were raised that by

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discussing the report in November rather than December the Overview and Scrutiny Committee would be debating an item at a time when Members did not have access to the full facts of the matter. On the other hand Members noted that the Concessionary Rents Policy was a subject of significant interest to the public and recent local press coverage indicated that there were concerns in the community about potential forthcoming changes. Therefore, it was suggested that the Overview and Scrutiny Committee should debate the matter in order to address an issue of concern to the local community.

On being put to the vote it was agreed that the item should be considered at the 7th November meeting of the Committee.

RESOLVED that

- 1) **the subject of the Concessionary Rents Policy should be considered at the meeting of the Committee due to take place on 7th November 2019; and**
- 2) **the content of the Overview and Scrutiny Committee's work programme be noted.**

41. TASK GROUPS, SHORT SHARP REVIEWS AND WORKING GROUPS - UPDATE REPORTS

The following updates were provided in respect of the work of a number of Task Groups and Working Groups:

- a) Budget Scrutiny Working Group – Chair, Councillor Jenny Wheeler

In Councillor Wheeler's absence Officers advised that the latest meeting of the Budget Scrutiny Working Group had taken place on 14th October 2019. During this meeting Members had interviewed the Head of Environmental Services and Head of Business Transformation and Organisational Development about the work of the Commercialism Programme Board, progress at the authority with delivering commercial services and the role of Black Radley. The group had also considered the Section 24 Notice and the implications of this for the Council's financial position moving forward.

Updates had been provided to the group in respect of the new Enterprise finance system at a number of meetings. Members

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had welcomed news that the roll out of this system was progressing well.

Members were advised that the group had agreed some recommendations at their latest meeting. These would be reported to the Overview and Scrutiny Committee on 7th November 2019.

b) Parking Enforcement Scrutiny Task Group – Chair, Councillor Mark Shurmer

In Councillor Shurmer's absence Officers explained that Members of the group were in the process of shadowing one of the Civil Enforcement Officers in order to observe the service in action and to find out about the challenges facing staff. At the following meeting of the group Members were hoping to interview a representative of Worcestershire County Council, though this meeting had not yet been confirmed.

The group had circulated a survey for the consideration of other Members. This had been designed to provide all Members with an opportunity to contribute evidence in respect of the parking enforcement issues that were reported to them by local residents. Members were thanked for completing copies of this survey, the feedback from which was due to be considered at the following meeting of the group.

c) Performance Scrutiny Working Group – Chair, Councillor Andrew Fry

Councillor Fry reported that at the latest meeting of the group Members had interviewed the Chief Executive and Head of Economic Development for North Worcestershire about work in respect of the strategic purpose 'help me run a successful business'.

Each member of the group had opted to take a lead on monitoring the measures for a strategic purpose. They provided an update on the information that they had gathered at every meeting. Any recommendations arising from their work would be reported to the Overview and Scrutiny Committee in due course.

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- d) Suicide Prevention Task Group – Chair, Councillor Debbie Chance

Councillor Chance informed the Committee that the group had interviewed a representative of Worcestershire County Council and of a local community group which helped people experiencing mental ill health. Members were aiming to hold further meetings in December with a view to reporting the group's recommendations early in the new year.

RESOLVED that

the update reports be noted.

42. EXTERNAL SCRUTINY BODIES - UPDATE REPORTS

Members thanked Councillor Michael Chalk for providing written updates in respect of the latest meetings of both the Worcestershire Health Overview and Scrutiny Committee (HOSC) and the West Midlands Combined Authority (WMCA) Overview and Scrutiny Committee. The following additional updates were provided in relation to these Committees:

- a) WMCA Overview and Scrutiny Committee

During the latest meeting of the Committee the subject of homelessness had been debated. The Committee had been advised about Housing First initiatives in the region and Councillor Chalk had learned that there was a pilot Housing First project in Redditch. Officers explained that this pilot was at an early stage and was resource intensive but the Council was learning many very valuable lessons.

- b) Worcestershire HOSC

During the latest meeting of the Worcestershire HOSC Members had interviewed the Chief Executive of WAHT. The Committee had welcomed news that the trust was out of special measures and had been informed that 50 nurses had been employed from India. Unfortunately there still, however, remained over 200 nursing vacancies at the trust.

RESOLVED that

the updates be noted.

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The Meeting commenced at 6.30 pm
and closed at 8.05 pm

REDDITCH BOROUGH COUNCIL**EXECUTIVE COMMITTEE**11th November 2019**REDDITCH BUSINESS CENTRES REVIEW**

Relevant Portfolio Holder	Cllr Mathew Dormer, Leader of the Council, Portfolio Holder for Planning, Economic Development, Commercialism and Partnerships
Portfolio Holder Consulted	✓
Relevant Head of Service	Kevin Dicks – Chief Executive
Ward(s) Affected	Greenlands, Lodge Park and Matchborough
Ward Councillor(s) Consulted	N/A
Key Decision / Non-Key Decision	Key Decision
This report contains exempt information as defined in Paragraph 3 of Part I of Schedule 12A to the Local Government Act 1972, as amended	

1. SUMMARY OF PROPOSALS

- 1.1 A review of the Redditch Business Centres – Greenlands, Rubicon and Heming Road - has been undertaken focussing on their strategic fit (delivery of strategic purposes), market demand and financial performance.
- 1.2 This report details the findings of that review and seeks Executive recommendation accordingly.

2. RECOMMENDATIONS

The Executive Committee is asked to RESOLVE that

- 1) the review of the business centres is noted including the financial performance of the centres (two make a surplus and one makes a loss);**
- 2) consideration be given to options for improving the viability of the Rubicon Centre, including increasing the rent levels charged for both office and industrial / workshop space**

Or

- 3) consideration be given to exiting the Rubicon Centre**

3. Background**Strategic Context**

- 3.1 One of the Council's six Strategic Purposes is "Help me run a successful business".

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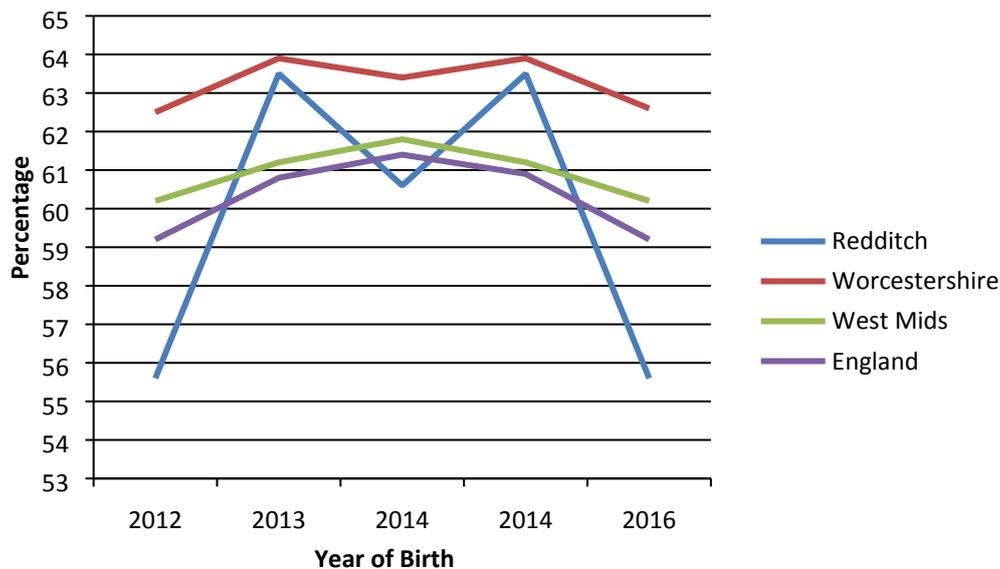
- 3.2 In pursuit of the Strategic Purpose, the Council seeks to “nurture existing businesses and encourage a future generation of entrepreneurs”. The Council Plan 2017-2020 states that the Council will:
- work with partners to provide a comprehensive business support package for small and growing businesses and aspiring entrepreneurs
 - help people to find business property in the Borough
 - review the availability of flexible business workspace within Redditch including Council owned property.
- 3.3 The Council supports the above through the Business Centres, which offer a range of flexible workspace accommodation and through a package of support services for start-up and small businesses.
- 3.4 In addition, at its meeting on 6th February 2018, the Executive Committee endorsed the revised Redditch Economic Development Priorities and Action Plan which, under the theme “An Enterprising Redditch” includes a specific action to continue to invest and develop the Business Centres and identify opportunities to the Council to invest in developing new commercial units.
- 3.5 The business support provided by the Business Centres is aligned with the Local Enterprise Partnerships’ strategies. The Greater Birmingham & Solihull Local Enterprise Partnership’s Strategic Economic Plan includes the strategic priority to “increase business start-up, survival and growth rates (scale-ups)”.
- 3.6 The Worcestershire Local Enterprise Partnership’s Strategic Economic Plan has identified a business growth offer as being integral to its strategic priority of “developing world class competitive and innovative businesses”. This offer includes “structured and tailored business support with additional provision for new and growing enterprises”.
- 3.7 The model which the Centres provide continues to meet the Council’s and partners’ strategic priorities and going forward, could also be used as a model to develop other similar or even larger accommodation to meet the needs of existing occupiers and other start-up and growing businesses. The Council’s Investment Strategy provides an opportunity for the Council to identify and seek out and acquire suitable sites and premises to provide additional start-up and “grow on” space.

Local Business Context

- 3.8 Redditch has lower than average levels of entrepreneurship. Startup Britain ranks Redditch 175 out of 348 areas for start-ups per 1,000 people (2016). The Grant Thornton Vibrant Economy Index places Redditch 319 out of 324 local authority areas for dynamism and opportunity – a measure of business formation, innovation and skills.

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- 3.9 The business survival rate in Redditch, which measures how many businesses are still trading three years after they started, is very erratic although typically, the rate is below the county, regional and national rates. The rate for Redditch businesses is consistently below the Worcestershire rate.

3 Year Survival Rate

- 3.10 The Council has put in place a number of measures to address this, which are delivered in partnership with the Greater Birmingham and Solihull LEP Growth Hub and Worcestershire Business Central Growth Hub.

The provision of flexible managed office space is part of a suite of support designed to help businesses to start up and grow. Entrepreneurs can participate in a business start-up programme which comprises one-to-one support from a business advisor; workshops covering such topics as business planning, marketing and financial planning; and access to grant funding up to £2,500. In the past 3 years, 191 entrepreneurs have participated in the programme, including tenants in the business centres.

There is also a number of grant programmes available to young businesses to help them to scale-up. Grants of up to £1 million are available, although the typical average grant is £20,000. In the past three years, Redditch businesses have accessed £1,129,963 to help them to scale-up and grow.

Supply of Start-up Units

- 3.11 There are a number of business centres in Redditch that offer office space for small businesses. Many of these are actually stand alone buildings or buildings in multiple occupancy which operate conventional commercial leases and provide no business support services.

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3.12 Whilst not directly comparable due to the variety of costs that are covered by the fees quoted, other local private sector serviced business centres which operate and offer similar short-notice licence terms to the Council's Centres are detailed in the table below:

Business Centre	Accommodation	Unit Sizes (sq ft)	Average rent per sq ft per annum	Comments
<i>Office Headline Rate (non-serviced)</i>			<i>£11.50</i>	<i>GJSDillon Commercial Property Report 2018/19</i>
Greenlands Business Centre	Office	108 – 600	£27.74	Fee inc rent, water & service charge
Rubicon Business Centre	Office	150 – 300	£18.17	Fee inc rent, water & service charge
The Business Centre	Office	150 – 4,000	£24.00	Fee inc rent, heat, lighting, power, cleaning, reception
Ashtenne Business Centre	Office	100 – 1000	£15.32	Fully furnished, utilities included
The Excalibur Centre	Office	82 – 675	£29.76	All inclusive price
Basepoint	Office	73 - 531	£30.35	Fee inc rent, service charge & use of common areas (breakout space)
<i>Industrial Headline Rate (non-serviced)</i>			<i>£6.55</i>	<i>GJSDillon Commercial Property Report 2018/19</i>
Rubicon	Workshop	280 – 590	£13.13	Fee inc rent, water & service charge
Heming Road	Workshop	110 – 428	£9.59	Fee inc rent, water & service charge
Basepoint	Workshop	460 - 835	£20.22	Fee inc rent & service charge.
Ashtenne	Workshop	100 – 15,000	£6.00	Fee rent only,

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Business Centre				service charge extra
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- 3.13 As can be seen by comparison to the headline rate, businesses in serviced accommodation pay a premium for the convenience of being in a business centre. Greenlands Business Centre is priced near the top-end of the market whereas Rubicon and Heming Road are priced more competitively.

Demand for start-up units

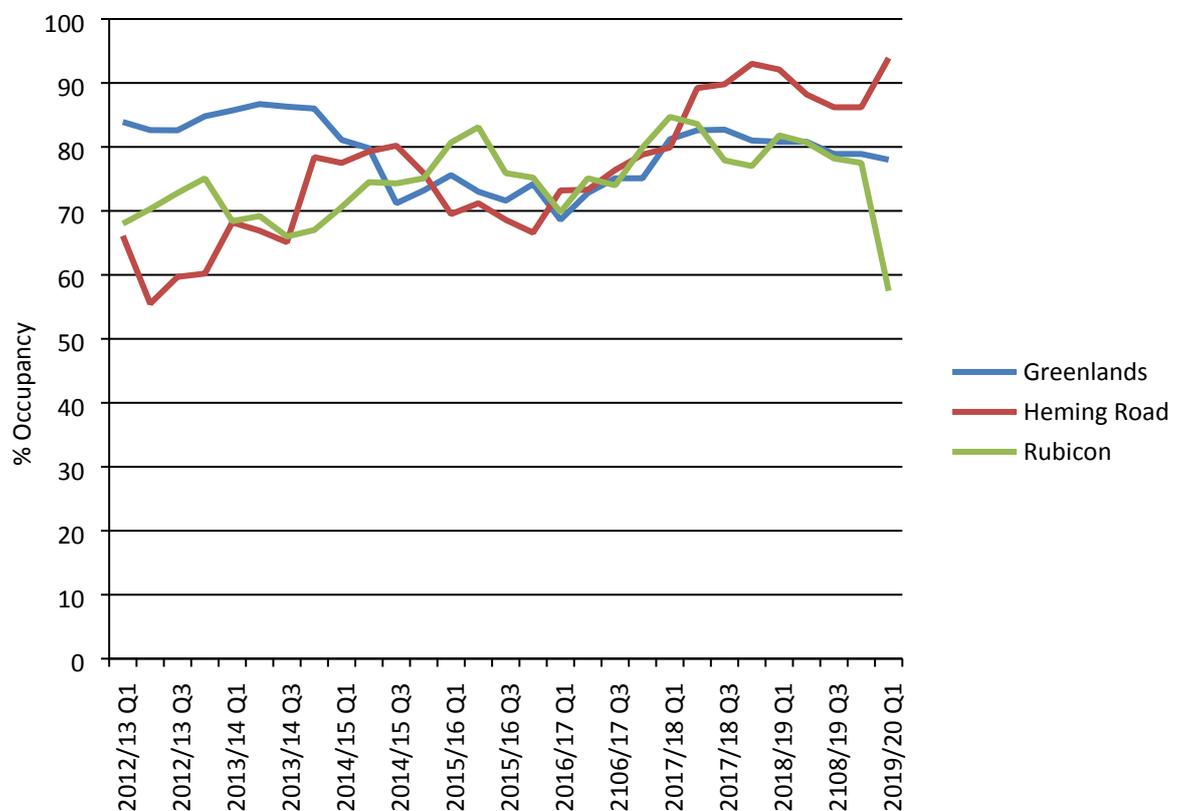
- 3.14 Demand for offices in Redditch is high, with a 2018 vacancy rate of 4.8% (GJSDillon Commercial Property Market 2018/19 Report). 41,492 sq ft of office accommodation was let during 2018 and it is estimated that there is 23 months of supply of accommodation available.
- 3.15 During the past 12 months, GJSDillon has received 15 enquiries for leasehold offices in Redditch of less than 1,000 sq ft. However, they estimate that this represents a small proportion of demand as they do not have a lot of exposure in this market due to the size of units that they market.
- 3.16 The industrial market is even tighter with a 3.2% vacancy rate. 87,113 sq ft of industrial space was let during 2018, leaving 22 months of supply available.
- 3.17 During the past 12 months, GJSDillon has received 31 enquiries for leasehold workshops in Redditch up to 1,000 sq ft. Again, as they mainly operate in the market for larger units, they estimate that this is a small proportion of actual demand.

Operational Context

- 3.18 The day to day running of the three centres has been managed on Redditch Borough Council's behalf by NWEDR since 2011. Redditch Borough Council Property Services are responsible for all property related aspects of the Centres.
- 3.19 The centres comprise a total of 105 units (54 office units and 51 workshop units) as follows:
- 35 office units at Greenlands Business Centre, Studley Road, Redditch
 - 16 office and 23 workshop units at Rubicon Business Centre, Lakeside Industrial Estate, Redditch and
 - 28 workshop and 3 office units at Heming Road, Washford Industrial Estate, Redditch.

REDDITCH BOROUGH COUNCIL**EXECUTIVE COMMITTEE**11th November 2019Occupancy

- 3.20 Occupancy levels, which fluctuate as businesses frequently arrive and leave, are currently averaging at 77% (July 2019). However, the levels vary significantly across the three centres with Heming Road at 93.6% and the Rubicon at 58.8%. Greenlands is currently 78% occupied but a number of the vacant units are currently not available to let due to damage caused by a serious flood in November 2018. The occupancy levels are calculated based on lettable square feet.

Occupancy Over Time

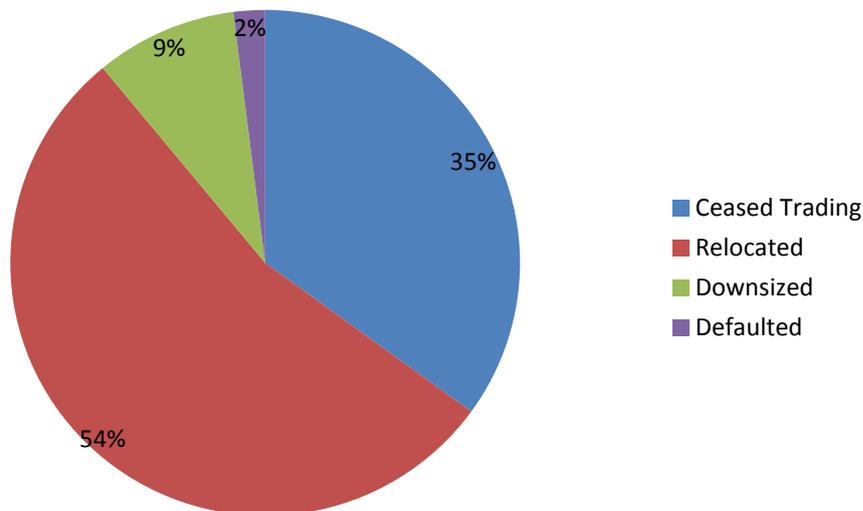
- 3.21 59 business currently operate from the three Centres.
- 3.22 Occupiers hold an “easy in / easy out” licence agreement which can be terminated by either party giving 14 days notice. The flexibility is attractive, particularly to new and growing businesses that may be hesitant about committing to long leases. New businesses can move in quickly and inexpensively. Licensees can also move to a larger or smaller unit – or leave – without penalties or legal costs.
- 3.23 41% of the current businesses (24 businesses) have been operating from the Centres for over 10 years. Of these, 6 are in Greenlands, 10 are in Heming Road

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and 8 are in Rubicon. 17% of occupiers (10 businesses) occupy more than one unit – 5 in Greenlands, 2 in Heming Road and 3 in Rubicon.

- 3.24 Whilst there are a number of long-term occupiers, on average, businesses that were tenants of the centres and then moved on remained in the centres for about 3 years. The average occupancy of businesses that have been tenants in Greenlands is 940 days (31 months), in Heming Road is 1134 days (37 months), and in the Rubicon is 964 days (32 months).

Destination of Businesses Leaving the Centres



- 3.25 The majority of businesses that leave the centres relocate to alternative, larger premises. However, a significant proportion cease trading. This is particularly true of Heming Road, where 44% of previous tenants ceased trading. Frequently, this is due to the business owner retiring rather than the business failing.

Services

- 3.26 Additional chargeable services include:
- telephone switchboard dedicated answering
 - postal services (franking and posting)
 - meeting / conference room hire
 - secretarial support
 - postal address

Financial Performance

- 3.27 The Business Centres' financial performance over the past three years is summarised in the tables below:

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Centre	Income	Expenditure	Surplus / (Deficit)
Greenlands	£164,393	£128,180	£36,213
Heming Road	£69,710	£106,293	(£36,583)
Rubicon	£164,695	£216,799	(£52,104)

2017/18

Centre	Income	Expenditure	Surplus / (Deficit)
Greenlands	£166,632	£141,920	£24,712
Heming Road	£78,880	£72,002	£6,878
Rubicon	£169,916	£221,923	(£52,007)

2018/19

Centre	Income	Expenditure	Surplus / (Deficit)
Greenlands	£168,140	£135,810	£32,330
Heming Road	£88,828	£66,264	£22,564
Rubicon	£156,849	£262,601	(£105,752)

- 3.28 The majority of income received by the centres is from rental of units. The cost of postage is recharged to the tenants with a small surcharge added to cover the costs of hiring the franking machines and stationary. Income is also generated from the hire of the conference rooms and secretarial services.
- 3.29 The income derived from secretarial services at Rubicon is negligible; whereas at Greenlands it is c£3,000 per annum. Income from the hire of the conference rooms is c£2,000 at the Rubicon and c.£3,000 at Greenlands.
- 3.30 Whilst it is difficult to give an absolutely precise figure due to the number of variables, Greenlands needs to reach 60% occupancy level to break even and Heming Road needs to be 70% occupied. Rubicon Centre, makes significant losses even at 85% occupancy, with a modest surplus at 100% occupancy. This calculation does not take into account income from secretarial services and hire of the conference room.

4. KEY ISSUES**Financial Implications**

- 4.1 Of the three centres, Greenlands and Heming Road make a surplus and Rubicon Centre makes a loss.

EXECUTIVE COMMITTEE11th November 2019**Rubicon Centre**

- 4.2 Appendix 2 illustrates the centre's financial performance modelled on the current rent levels and at 21% increase, 48% increase and at the top end of the market (66% increase). Cost wise, the modelling is based on the 2016-17 and 2017-18 figures.

Increase rent option

- 4.3 To break even at 70% occupancy, the rent levels would need to be increased from £18.17 / sq ft to £30.35 / sq ft (66%) for office space and from £13.13 / sq ft to £20.22 / sq ft (53%) for workshop space or a different combination of the two. However, at 65% occupancy, which is industry average, the centre would still make an annual loss of £18,224. In fact any increase below these levels would still result in significant annual losses.
- 4.4 A key question is whether such an increase would be realistic and competitive from a market perspective given the fact that the centre does not offer the level and quality of facilities required at the top end of the rental market.
- 4.5 Cost wise, there is limited scope for reductions, which would not generate significant savings relative to the scale of need.

Exit the centre option

- 4.6 The option to exit the centre is subject to the provisions of the lease under which the council occupies the premises. The relevant lease clauses are summarised in Appendix 3.

Legal Implications

- 4.7 The Council owns the freehold for the Heming Road Enterprise Centre; ownership having been transferred from the Commission for New Towns in 1998. This transfer was conditional on a minimum of 75% of the floor area of the premises being used for housing, small businesses and managed workspace.
- 4.8 The key provisions of the leases on Greenlands and Rubicon Centres are summarised in Appendix 3.

Customer / Equalities and Diversity Implications

- 4.9 The Centres continue to contribute to the Borough's much needed infrastructure for business growth by continuing to provide workshop and office space for new and growing businesses.

5. RISK MANAGEMENT

- 5.1 The financial performance of the business centres is linked to the occupancy levels. Any fall in occupancy will result in a reduction in any surplus generated or

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an increase in the deficit. A marketing plan is being put in place to promote the centres and the business support services offered, including access to the Growth Hubs and support to secure business grants.

- 5.2 Any potential decision to close one or more of the business centres could affect the survival of the occupying businesses due to the lack of alternative accommodation.
- 5.3 Any potential decision to close one or more of the business centres could generate negative publicity and lead to reputational damage.

6. APPENDICES

Appendix 1 - GJS Dillon Commercial Property Market 2018/19 Report
Appendix 2 – Rubicon Centre financial modelling
Appendix 3 – Key lease provisions (Greenlands and Rubicon Centres)

7. BACKGROUND PAPERS

None

AUTHOR OF REPORT

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Commercial Property Market **2018/2019 Report**

Worcestershire





Commercial Property Market 2018/2019 Report - Worcestershire



John Dillon

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As we move into 2019, Worcestershire remains a popular location for occupiers across the business spectrum, offering opportunities for all.

Being central within the country and benefiting from first class infrastructure has been reflected in the 2018 take-up figures, which has driven vacancy rates to a five year low and resulted in growth across all sectors.

More growth is predicted for 2019 as Worcestershire continues to be a great place to live, work, invest, visit and do business.

We at GJS Dillon are proud to be active within what is a vibrant and dynamic Business Community. Please contact our team of experts for further information.

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Top 5 take-aways

- 1** Occupiers capitalise on Worcestershire's central location
- 2** Take-up highlights the need for more commercial space

- 3** Rental growth across all sectors shows demand
- 4** Vacancy rates at a 5 year low
- 5** More growth and inward investment predicted in 2019

A Strong SME Market

Worcestershire boasts one of the strongest and fastest growing economies, based on the strength of its Small and Medium sized Enterprises (SMEs) which make up 99.7% of the county's businesses. It was the fifth best performing LEP area in England for economic growth from the low point of the recession in 2009 to the end of 2017, recording a real GVA growth of 21.6%.*

Thanks to its central location, access to the rest of the UK with its excellent transport links via M5, M42, M50 and A38, its flexible workforce and attractive lifestyle, Worcestershire has been incredibly successful in creating, attracting, retaining and growing SMEs.

It has been so successful that vacancy rates for business premises (industrial units up to 25,000 sq ft and offices up to 5,000 sq ft) for micro and small businesses (with up to 49 employees) are at a record low.

There is very little new build accommodation underway offering units of this size, so the challenge currently facing Worcestershire's property industry, LEP and County Council is how to develop the industrial premises and office space required.

Failure to meet this challenge will risk successful companies which have started and expanded in the county being forced to leave to find new, larger premises, and start-up enterprises looking to neighbouring counties for their first accommodation.

Fortunately great progress is being made by developers like St Modwen's at its office schemes on the former DEFRA site in Worcester, as well as with new initiatives to develop the much needed smaller business units around Worcestershire's six motorway junctions, and to encourage the conversion of redundant retail units to offices in town and city centres.

Registered Businesses in Worcestershire by Employment Size (2018)

	Number of staff				Total
	Micro (0-9)	Small (10-49)	Medium (50-249)	Large (250+)	
Bromsgrove	9,190	835	120	15	10,155
Malvern Hills	4,100	475	75	10	4,655
Redditch	2,635	535	130	20	3,325
Worcester	3,150	625	165	15	3,965
Wychavon	6,240	785	165	15	7,200
Wyre Forest	3,395	525	95	10	4,020
Worcestershire	28,710	3,775	750	96	33,325

Table: Figures by Worcestershire County Council Information, Analytics and Research Team



M5 Junction 6 Worcester North



M42 Junction 1 Bromsgrove



M5 Junction 5 Droitwich



M5 Junction 7 Worcester South



M42 Junction 2 Redditch

Motorway Junctions Key To Solving Worcestershire's Business Property Shortage

Allocating land around Worcestershire's six motorway junctions exclusively for employment usage could address the county's shortage of business premises which is particularly affecting micro and small enterprises which make up more than 97% of the county's businesses.

Junctions 4 to 7 of the M5 and Junctions 1 and 2 of the M42 provide ready-made, existing infrastructure around which to base new industrial and business parks offering a range of industrial units, from 1,000 sq ft to 25,000 sq ft and of offices from 500 sq ft to 5,000 sq ft to rent and to buy.

With the transport infrastructure already in place, costs to the public purse will be much lower than developing this much needed accommodation elsewhere in the county.

Successful office business parks, such as Topaz at Junction 1 of the M42 and Wildwood Triangle close to Junction 7 of the M5 show that it is possible to create new office developments providing smaller offices. Worcester Six at Junction 6 of the M5 demonstrates the possibilities of successful industrial development, but crucially new developments would need to provide smaller units.

*Source: ONS – "Regional economic activity by gross value added (balanced), UK: 1998 to 2017"
<https://www.ons.gov.uk/economy/grossvalueaddedgva/bulletins/regionalgrossvalueaddedbalanceduk/1998to2017>

Map Source: Google Earth



Office

Office rents in Worcestershire are increasing significantly faster than the national average, driven by high demand and low supply of office space.

The county's office market is experiencing 10% annual rental growth in comparison to average zero (0%) growth across the country.

Rental growth is being driven by a lack of choice of space, with a vacancy rate of 3.4%, and demand from occupiers who want to remain, grow and move to the county, to benefit from Worcestershire's growing economy, excellent communications, flexible workforce, sought after lifestyle, and help on offer from the LEP and Worcestershire County Council.

Practically no new office space has come to the market in the last 12 months, with only 161,000 sq ft of new office space presently under construction in the Worcester submarket. As a result, over the next quarter, we predict this rental growth will remain constant, but could increase if there is some certainty about the terms of the final Brexit agreement.

Interestingly, vacancy rates for prime office space are nearly double those for the rest of the market, which shows that occupiers continue to look for good deals, but with average office rents across the county at £12.25 psf, and prime space at an average of £19.00 psf, all office accommodation in Worcestershire looks very good value when compared to Birmingham and Solihull.

Rental growth, combined with low interest rates and banks willingness to lend, will continue to make commercial property attractive to both investors and owner occupiers where office freeholds become available.

Buyers can acquire commercial property at lower rates than the cost of renting, while sellers benefit from the high prices on the back of increased demand. It is rare that there's a market which benefits both parties, so we expect freehold sales activity to remain strong.

Industrial



Industrial property rents in Worcestershire will continue to grow throughout 2019 and beyond, driven by high demand and low supply of manufacturing, warehouse and storage space.

Industrial property rents are expected to grow on the back of one of the lowest vacancy rates in the country.

Industrial vacancies across Worcestershire are 3.1%, less than half the national average, caused by a healthy demand and a lack of new stock over recent years. However, when we break this down the vacancy rate the large industrial market is 5%, but only 0.5% for the smaller (less than 5,000 sq ft) and medium markets (less than 15,000 sq ft).

As a result we will see growth in both the average rents of £5.10 psf for the big shed market and of £6.75psf in the smaller and medium market.

There is significant demand for all sizes of industrial property, particularly freehold, where we have seen a 25% increase in enquiries in the past 12 months, however there are many fewer industrial premises for sale than for rent.

Developers have reacted to the shortage of industrial property, building 200,000 sq ft of new accommodation in the past 12 months, with a further 637,000 sq ft under construction. However, this is weighted very heavily to larger properties of over 45,000 sq ft.

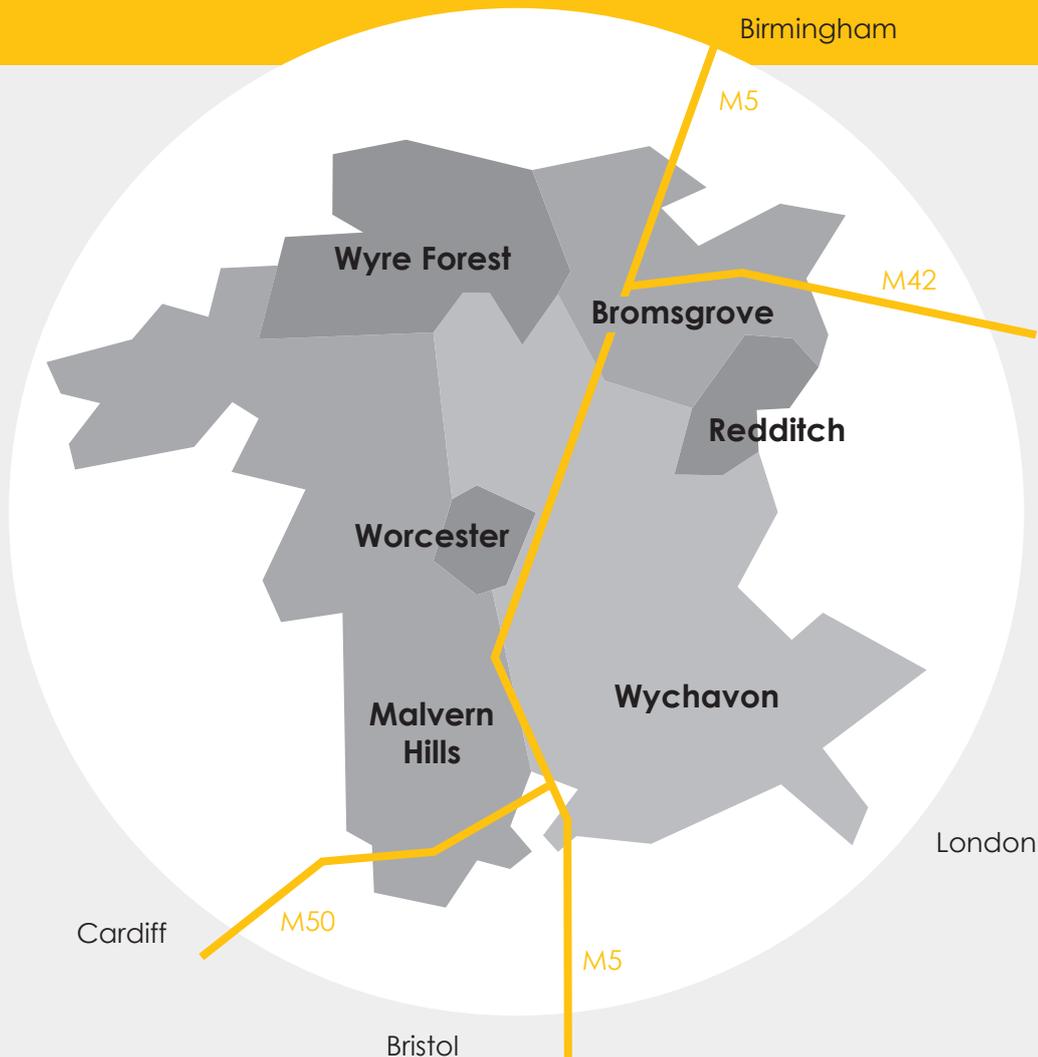
Worcestershire LEP, property agents and developers are all aware of the current shortage of smaller units and are working together to see how more can be built. We hope to see the first results of this initiative sometime this year.

In the meantime there are still industrial units available, but occupiers needs to remain flexible on size and location, in order to find the best current fit for their business.



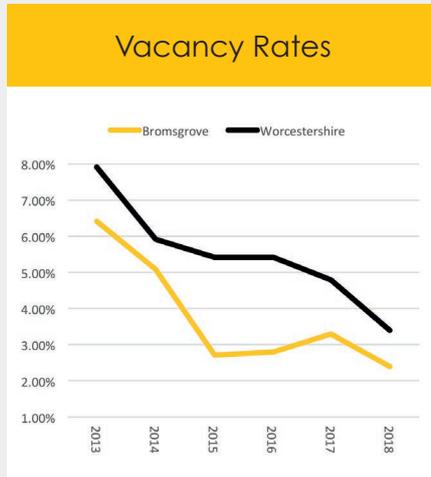
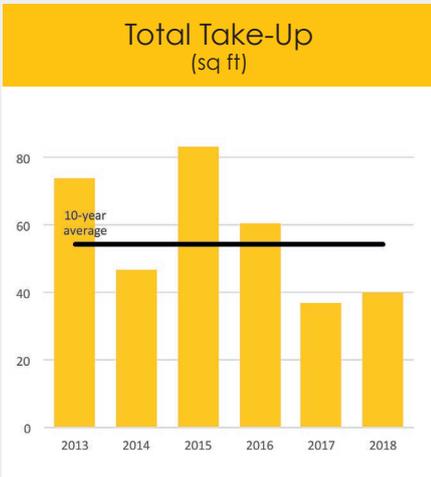


	Number of businesses	Total Take-Up (sq ft)	Vacancy Rate
Bromsgrove	10,155	40,130	2.4%
Malvern Hills	4,655	13,835	2.0%
Redditch	3,325	41,492	4.8%
Worcester	3,965	55,792	4.3%
Wychavon	7,200	18,744	0.9%
Wyre Forest	4,020	12,789	4.2%





40,130 ft² Total Take-Up (Freehold and leasehold)	8 Months of supply	2.4% Vacancy Rate	£19.00 2018 Headline Rent (per sq ft)	£144 2018 Average Sales Rate (per sq ft)
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Demand

Demand is largely centred around the motorway junctions and A38 corridor, however the office accommodation at the purpose-built Harris and Saxon Business Parks remain an ever popular product.

Take-up in 2018 exceeded 2017, although is still below the 10-year average – perhaps owing to the severe stock shortage, an issue that Bromsgrove District Council are aware of. The average freehold sale in the area is 2,550 sq ft and average leasehold transaction 1,771 sq ft, demonstrating the demand for small to medium units.

Supply

Availability across both the freehold and leasehold markets is down by over 50% from a year ago, at only 38,400 sq ft. The fact that Bromsgrove has only eight months of supply, the lowest in the county, underlines the major stock shortage.

Whilst there is little development in the pipeline, the issue has been recognised with an independent report being commissioned in order to address the limited availability of employment land. Bromsgrove's office market has traditionally catered well for SME businesses and the danger is the growth of these businesses may become restricted due to a severe lack of supply.

Rental and Capital Values

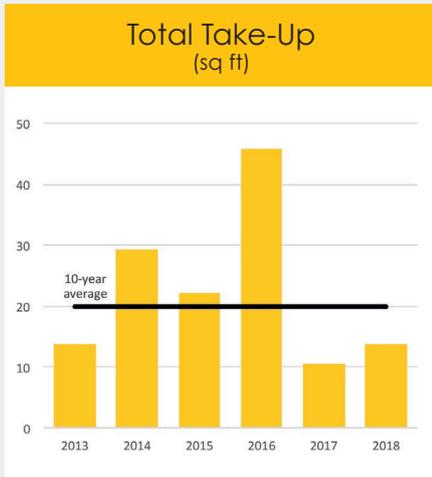
Bromsgrove's headline rent has traditionally been set by schemes abutting Junction 1 of the M42, such as Topaz. Further south along the A38 corridor rents have increased in line with falling vacancy rates and demand for well connected space, with occupiers paying premiums for well located, good quality accommodation.

The average sales rate has been distorted by the portfolio sale of Topaz, with well proportioned, quality office accommodation achieving well over £150 per sq ft in areas of high demand.

Outlook

With there being limited office accommodation in the pipeline and Bromsgrove proving one of the most popular commercial destinations in the Midlands for SME businesses, there is set to be a severe shortage of good quality space in 2019.

This will not only have a negative impact on take-up, but will push rental and capital values upwards as desirable space is fought over. We predict the average sales rate will push closer towards the £150 per sq ft mark as freehold purchasers continue to take advantage of attractive purchasing conditions. Any schemes introduced over the next 18 months ought to prove popular.



Demand

Across the six Worcestershire sub-markets, the Malvern Hills district had the lowest total take-up and tracked almost 50% below the 5 year average – it is worth noting that the 5 year average is distorted owing to the two large lettings at the Malvern Hills Science Park in 2016. Despite this, vacancy rates are low showing the popularity of the area, which has become synonymous with tech companies.

With the established presence of QinetiQ and the introduction of BetaDen and the Worcestershire 5G Testbed, it is no wonder significant demand has come from technology companies looking to join the expanding tech community.

Supply

Availability is up from a year ago by 54% at 90,900 sq ft, however this figure is inflated by the Bernard Lovell Building – nearly 50,000 sq ft of office space on Malvern Technology Park that is available to rent. Although this paints a false picture, there is some accuracy with the high supply pipeline in that the later phases of the local authority led partnership at the Malvern Hills Science Park are underway.

Rental and Capital Values

Malvern has an established identity as a tech centre and is doing well at addressing this demand, however with average rents pushing towards the upper end of the county wide scale, space must be made affordable in order to attract occupiers.

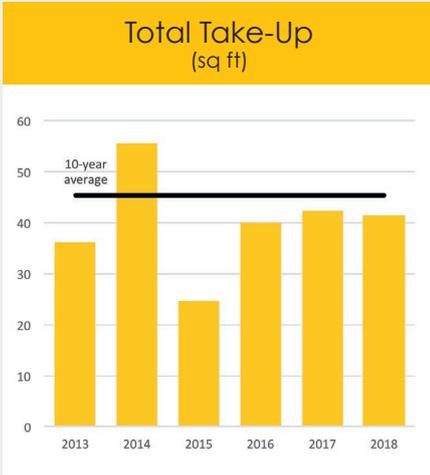
Average market rents are sitting just below £13.00 per sq ft, outperforming neighbouring Worcester and almost in line with the highly connected submarkets of Wychavon and Bromsgrove.

In keeping with the rental trends, capital values within the Malvern Hills district are also performing well in comparison to other submarkets. The average capital value of £148 per sq ft was distorted by the sale of Brunel House which was priced as a redevelopment opportunity.

Outlook

The Malvern Hills has capitalised on its past to create a tech hub unique to the Midlands. This inward investment has been noted and the development pipeline is reasonable. As more high-quality space comes to market, we expect rental and capital values to increase alongside the increased number of transactions.

As the identity of Malvern enhances, other employment sectors must not be ignored, with the need for affordable space being paramount. Malvern does not benefit from the connectivity of other Worcestershire markets. However it has created its own unique selling point by way of its dynamic business community. This must be preserved for all businesses, regardless of their sector or position in the business cycle, by providing affordable space for them to grow.



Demand

With Redditch lying approximately 12 miles south of Birmingham city centre, the town is popular with occupiers looking for similar connectivity at more affordable rates – with many occupiers relocating from Birmingham to the town. As such, the structure of the Redditch property market mirrors that of large cities, whereby the percentage of occupiers renting is higher than the county average; over 75% of transactions this year were lettings, which increases to almost 85% over the 10 year average.

With there being limited Grade A stock, competition for quality stock has driven rents values, while also having a knock-on effect on capital values.

Supply

Availability levels are broadly tracking where they were a year ago, being only 3% up at 76,600 sq ft. Mirroring the trends highlighted above, of what is available over 70% is leasehold, further demonstrating the popularity of Redditch with investors.

With investors typically looking at large stock (over the past five years almost half of all rental transactions have been for properties over 4,500 sq ft), the small to mid-range stock has become available for freehold purchasers, with owner occupiers being forced to pay premium prices for this limited asset type.

Rental and Capital Values

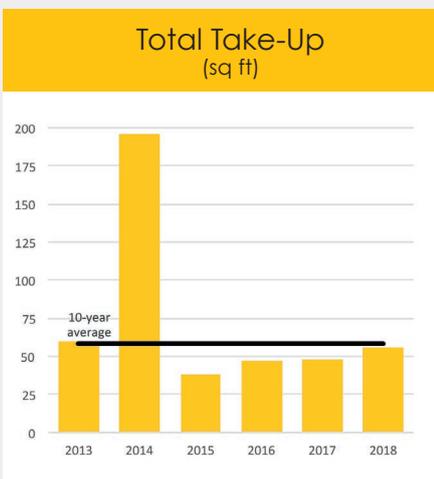
There is little disparity between headline and average rents in Redditch, owing to the lack of prime office space. With more space becoming obsolete, competition for well presented units has led to average rents pushing through the £10.00 per sq ft barrier.

As Redditch is the county's "hotspot" for investors, owner occupiers have faced stiff competition for freehold office premises. This has led to average sales rates being among the highest in the county, particularly in comparison to rental values.

Outlook

The biggest issue facing Redditch is the growing obsolescence of existing stock. Lack of Grade A accommodation increases the danger of reverse migration to other alternatives, such as Blythe Valley Business Park.

To tackle this issue in the short term, existing properties that have been refurbished to a high specification should command top rates and help increase the gap between headline and average values. Demand for this good quality accommodation is to come from both leasehold and freehold occupiers as other existing options lose their function or become obsolete.



Demand

Worcester is geographically split with the River Severn creating an eastern and western side. With the eastern side being adjacent to the M5 motorway and having access to the majority of the country, this has stimulated development; evident in the fact that over the past five years only 7.5% of office transactions have occurred west of the river. 2018 was no different with demand coming for good quality space in the city centre and out towards the east of the city.

Having the infrastructure and population you'd expect with a county city means that the average deal size is higher than the rest of the county, with over 20% of transactions in 2018 being over the 4,500 sq ft mark. Most notably among these being the sale of 9 – 10 The Tything and the lettings at Berkeley Business Park.

Supply

As at the beginning of 2019, supply levels mirrored the geographic theme highlighted above, notable at the former DEFRA site close to Junction 7 of the M5, where over 160,000 sq ft of office space is being developed for sale or letting.

With this geographical push east, the city centre has started to become secondary in comparison – with only 14% of available space being in the city centre.

Rental and Capital Values

Rental values within Worcester are currently averaging around £11.37 per sq ft, with these levels being affected by the large office suites available to the east of the city, where there is often a quantum discount for tenants.

Like other Worcestershire submarkets, the lack of Grade A stock has hindered the growth of average sales rates – currently at £147 per sq ft. With the new developments along Whittington Road coming to the market, it will be interesting to see the effect this injection of high-quality accommodation will have.

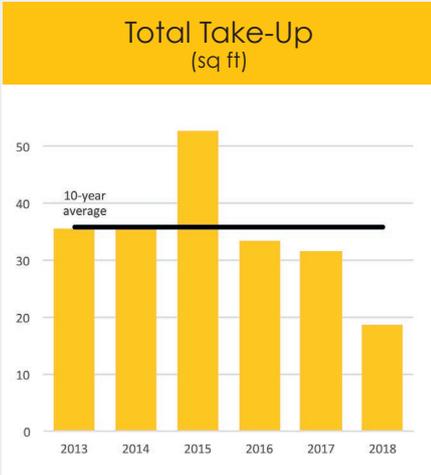
Outlook

Worcester needs to address the shifting geographical location of office space within the city – with more emphasis being put back on the city centre. This can be addressed by looking at the conversion of struggling retail units; something which will improve the attraction of the city centre to visitors and occupiers alike.

With upgrading work to the Southern Link Road almost complete, this will unlock key sites to the west of the city, which have previously struggled with connectivity issues. Having a strong office market with a range of options for occupiers is a must if Worcester is to compete with nearby cities.



18,744 ft² Total Take-Up (Freehold and leasehold)	22 Months of supply	0.9% Vacancy Rate	£15.50 2018 Headline Rent (per sq ft)	£160 2018 Average Sales Rate (per sq ft)
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Demand

Wychavon comprises the largest submarket in Worcestershire covering the towns of Evesham, Pershore and Droitwich; as well as incorporating much of the development around the M5 motorway, including Worcester Six and Whittington Hall. Demand in Wychavon is therefore high and is demonstrated by the 0.9% vacancy rate (the lowest in the county).

2018 saw an increase in the rental market for sub 1,500 sq ft accommodation, with 49% of all transactions being at this level. This coincides with the high number of SME businesses in the district (99% of all registered business). On the back of this, Wychavon has catered well for growing businesses; evident in the number of transactions in the district (22 in 2018, second to Worcester at 24).

Supply

Wychavon is home to the most talked about development in Worcestershire in 2018; Worcester Six. Whilst predominantly a warehouse and logistics hub, there is the provision for over 40,000 sq ft of office accommodation, which is distorting the availability figures. Outside of this, there is little in the 1,500 sq ft – 4,500 sq ft range, Wychavon's most popular size at 76% of all transactions over the past five years by volume.

Rental and Capital Values

Rental growth in Wychavon has increased year-on-year since 2015; with headline rents following suit. Average

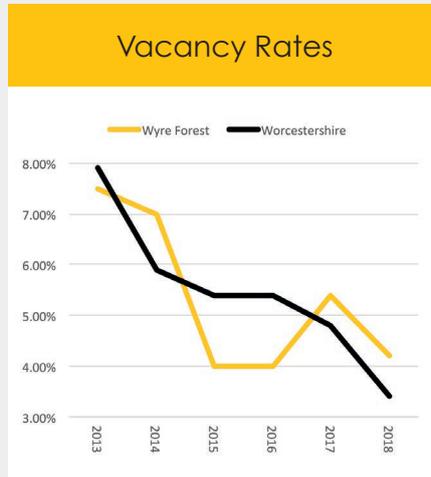
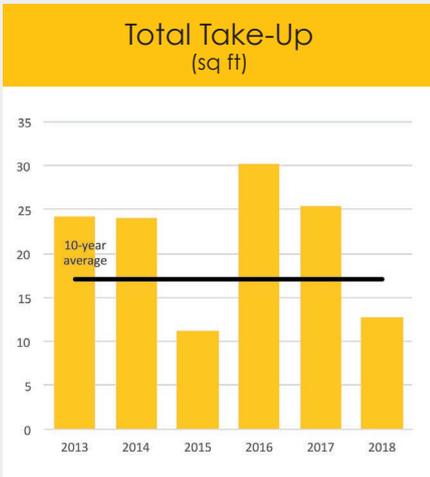
rents currently sit at £12.70 per sq ft and with Wychavon having two motorway junctions, the A44, A46 and A38, this shows the demand for well connected space.

Capital values in the district are also amongst the highest in the county at an average of £160 per sq ft. A contribution towards this comes from the make up of businesses in the district – SME occupiers are particularly active when purchasing via pension schemes and competition from these purchasers has driven values up.

Outlook

The need for space within Wychavon has already been identified with the development of Worcester Six – however accommodation suited to the majority occupiers (SMEs) of the district needs to be considered. With vacancy levels being low and activity levels being high, we envisage rental levels and capital values will only increase.

With regards to pushing development further, Wychavon is home to two motorway junctions, some major A roads and the new Worcester Parkway Station. The attractiveness of connectivity has already been highlighted, therefore these hubs are the key to accommodating growing business and attracting others.



Demand

The Wyre Forest district covers the towns of Kidderminster, Stourport-on-Severn and Bewdley. The district does not benefit from the connectivity of other Worcestershire districts. However, it does host an abundance of commercial stock given its manufacturing past. As such, units tend to be either small suites or large office blocks which would have been linked to former manufacturing premises.

In light of the above, 82% of take-up in 2018 was outside of the 1,500 sq ft to 4,500 sq ft bracket. The shortage of stock in the middle of this range has led to take-up tracking below the county average and 10-year average for the Wyre Forest.

Supply

Availability in the Wyre Forest is good with there being over two years supply and available space is 20% on this time last year. Unlike the rest of the county, the available stock is more evenly balanced between freehold and leasehold premises giving occupiers a greater opportunity of owning their premises.

Vacancy rates within the Wyre Forest are higher than the average for Worcestershire, giving all occupiers more choice than other districts. This has created a business community which has been able to grow on the back of finding space that is more suited to their needs, while also presenting an affordable option.

Rental and Capital Values

Over the past five years there has been little difference between headline and average rents and in 2018 they converged. This is down to the dated stock within the district – therefore presenting developers and landlords the opportunity to develop or refurbish accommodation that can push headline rents above the average.

Capital values tell a similar story to rental levels with the average sales rate being low compared to the rest of the county at £112 per sq ft. Again there is an opportunity for this level to grow by presenting accommodation that can justify higher levels.

Outlook

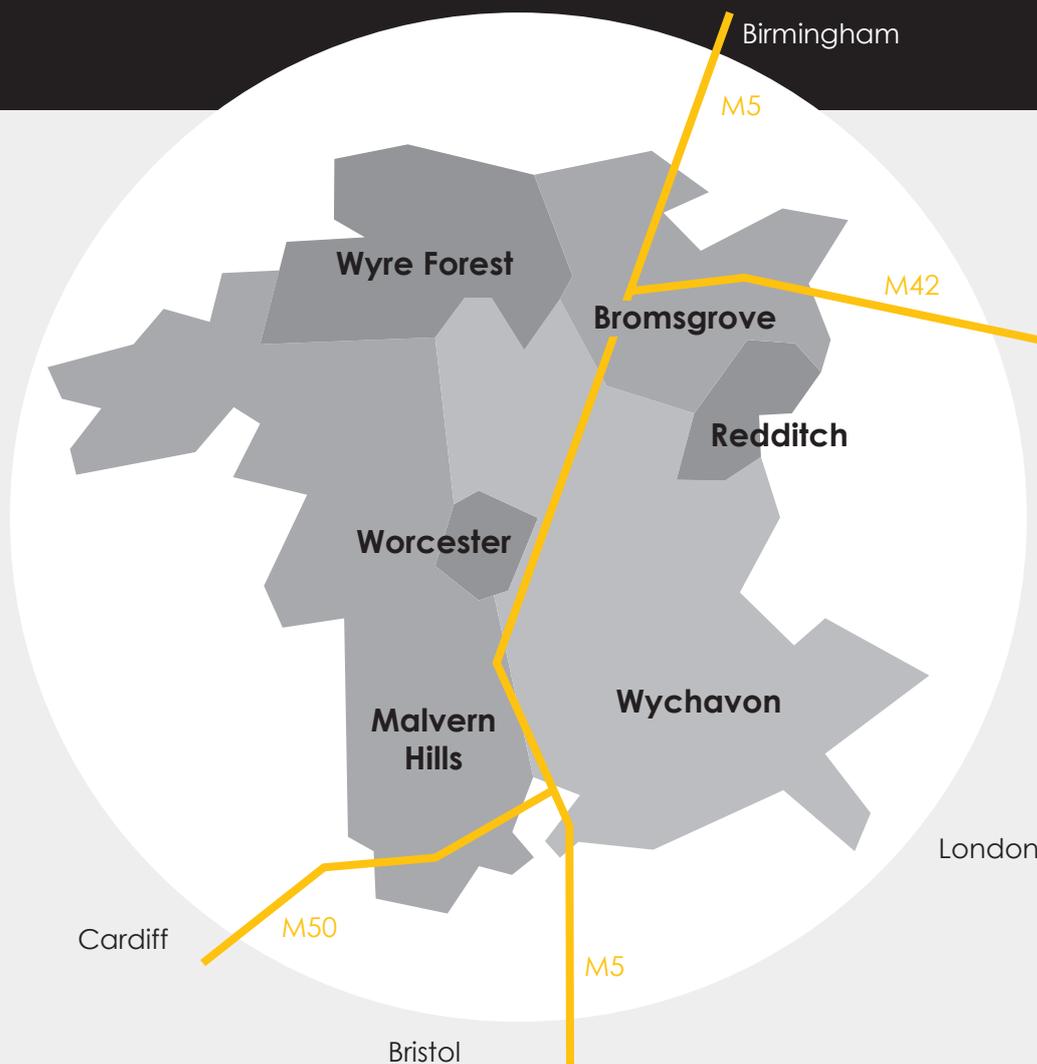
Despite lacking the proximity to main transport routes (such as the M5 motorway) which other districts have, the Wyre Forest has created a dynamic business community with core routes back to its manufacturing past and a skilled workforce. In order to unlock this potential, more Grade A stock must come to the market and provide options to occupiers who wish to remain in the area, whilst occupying a higher standard of accommodation.

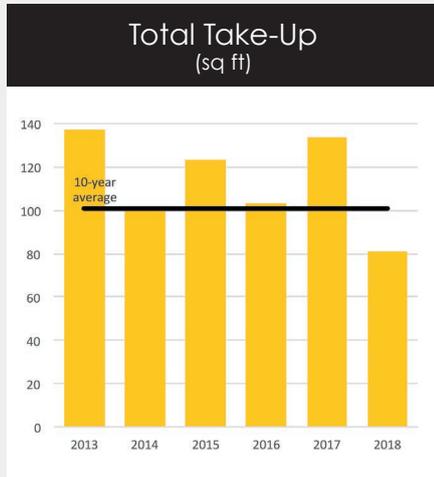
The Wyre Forest therefore presents as good an opportunity as any within the county and has the former vast manufacturing land to accommodate development and growth.

Industrial Sub-markets 2018



	Number of businesses	Total Take-Up (sq ft)	Vacancy Rate
Bromsgrove	10,155	81,003	0.9%
Malvern Hills	4,655	15,183	1.9%
Redditch	3,325	87,113	3.2%
Worcester	3,965	258,921	4.5%
Wychavon	7,200	628,389	2.8%
Wyre Forest	4,020	150,158	7.9%





Demand

Bromsgrove's industrial market has consistently performed owing to its location; having excellent access to the M5 and M42 motorways and its position on the A38. This has provoked growth in business park locations, such as Harris and Saxon Business Parks, as well as more central locations, like Sherwood Road and Aston Fields.

All but two transactions in 2018 were in the sub 10,000 sq ft market, showing the demand from SMEs for this well connected space. A shortage of stock, particularly in this size bracket, has led to a narrowing disparity between average and headline rents.

Take up over 2018 was split almost 50/50 between freehold purchases and new leases, demonstrating the desire from businesses to take advantage of preferential buying conditions and low interest rates.

Supply

Reflective of Bromsgrove's geographical location, the district has the lowest vacancy rate across the county. It also has the lowest number of months' supply at just seven. Except for Corbett Business Park in Stoke Prior, there are very few new schemes currently under construction in the area.

Vacancy rates within Bromsgrove have fallen since 2013, exceeded the county average since 2014. This could be down to positive migration from Birmingham, where occupiers have realised Bromsgrove offers well located industrial space at more affordable price levels.

Rental and Capital Values

Average rental levels have increased dramatically over the past three years, with the gap narrowing between headline and average rents. This coincides with falling vacancy rates and the shortage of stock.

With the strong presence of freehold purchasers, the average sales rate has increased to a level which has become established and sustainable. This has been buoyed by the preferential buying conditions, particularly for the SME sector, with interest rates being low and the appetite to lend continuing.

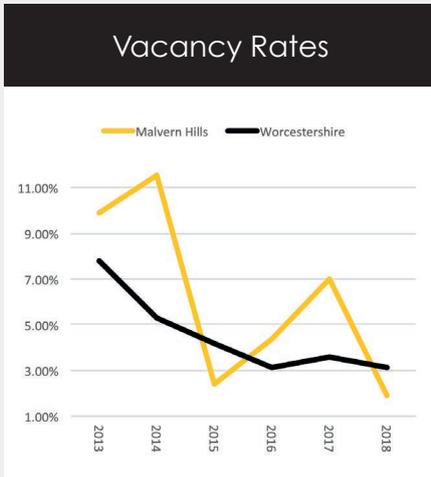
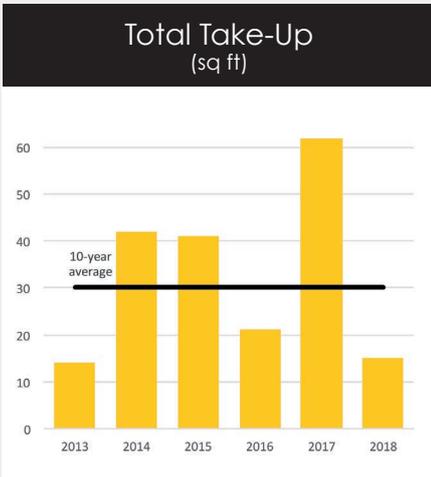
Outlook

Like Bromsgrove's office sector, there is a severe stock shortage which needs to be addressed now in order to improve on the seven months of supply that remains. With this shortage, we expect rental levels to continue to increase at the same rate and average sales rates to push up towards £90 per sq ft.

The Brett Report, commissioned by Bromsgrove District Council, stressed the need for new development land in the area. However, this must be designated for commercial use in an area that is becoming as popular with residential occupiers as it is for commercial users.



15,183 ft ² Total Take-Up (Freehold and leasehold)	13 Months of supply	1.90% Vacancy Rate	£6.68 2018 Headline Rent (per sq ft)	£76 2018 Average Sales Rate (per sq ft)
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Demand

The Malvern Hills traditionally has the lowest take-up levels owing to its smaller commercial market, which can part be explained by its physical constraints with the Malvern Hills forming a natural boundary and the River Severn being in between the area and the M5 motorway. However, the historic connectivity issues are set to be improved with the Worcester Southern Link Road enhancement, which should assist the business community in Malvern.

Take-up is well below the 10 year average owing to the lack of stock in the 10,000 sq ft + sector – in the past five years only five transactions have been over this level.

Supply

With transactions of industrial properties over 10,000 sq ft being scarce, the vacancy rate has become volatile and can often rapidly increase should a large unit be introduced to the market – this being reflective of the small industrial market within the district.

The Malvern Hills district is however forging an identity for itself in the technology sector. Having looked at the impact on the office market, the industrial sector needs to position itself to capitalise on this. Areas will need to be identified for the development of this sector and with the physical constraints of the Hills being present, these could be in locations to the north and south of the district, particularly around the Three Counties Showground and Blackmore Park.

Rental and Capital Values

Rental levels are increasing with average rents being above £5.50 per sq ft for the first time in five years. Headline rents have remained constant, reflective of the lack of new build accommodation in the area.

Both rental and capital values are performing well and in line with the county as a whole. This perhaps reflects demand from existing occupiers rather than new industrial occupiers moving into the area.

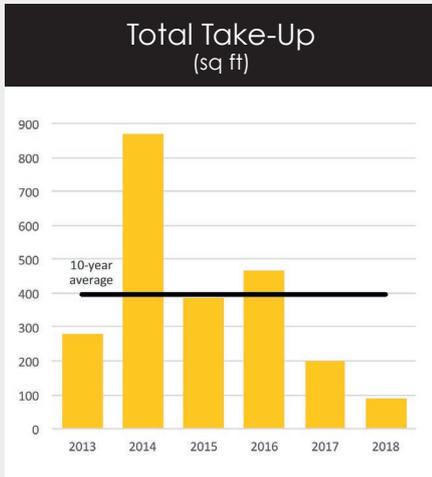
Outlook

The industrial market must react to the changes that are happening in the district's office market, where a tech identity is being formed. As ideas are being brought into the area by these companies, the manufacturing space needed to implement these ideas has to be present, which it currently is not.

Sites need to be identified where research and development and manufacturing hubs can be developed and used to attract the inward investment of tech occupiers – mirroring what has been done at the Malvern Hills Science Park and Malvern Technology Centre, but for the industrial sector.



87,113 ft ² Total Take-Up (Freehold and leasehold)	22 Months of supply	3.2% Vacancy Rate	£6.55 2018 Headline Rent (per sq ft)	£82 2018 Average Sales Rate (per sq ft)
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Demand

Take up in the Redditch industrial market was good in 2018, but not as high as previous years owing to fewer landmark transactions; such as the letting on Old Forge Drive and at Vector Point in 2014.

This report addresses the occupier market in Worcestershire. It does not consider investment purchases, a sector which has traditionally dominated a large proportion of the Redditch industrial market.

Freeholders have jostled for space that is not investment stock and this has pushed purchasers into paying premiums for good quality space. The take up in the sub 10,000 sq ft sector is strong, comprising 95% of all transactions in 2018.

Supply

Supply levels in the Redditch submarket are good with new schemes such as Crescent Trade Park offering units to the SME market and Velocity42 catering for larger occupiers.

Schemes such as these have led to the availability rate increasing by 141% compared to this time last year and vacancy rates tracking at 3.20%, in line with the county average.

Rental and Capital Values

Rental levels have been increasing as occupiers from Birmingham and surrounding West Midlands areas have realised they can get well located space with good links to the M5, M42 and M6 at a more affordable rate.

The increased awareness of Redditch as a prime industrial location may have contributed to the increase in average market rents, with there being significant growth over the past two years to over £5.50 per sq ft.

Capital values remain strong at an average sales rate of £82 per sq ft in the submarket. These values have proved to hold their worth as demand for space remains constant.

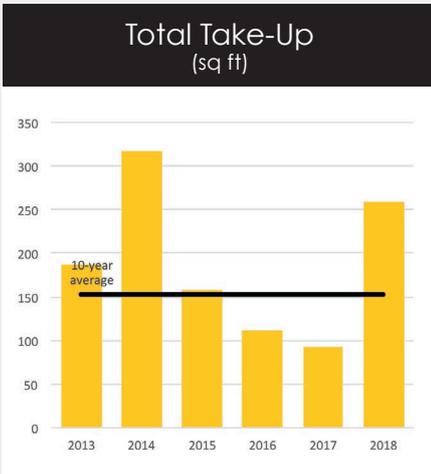
Outlook

Redditch is a hotspot for occupiers looking for a variety of well connected space that is in the centre of the country. As schemes such as Velocity42 approach completion and the Redditch Eastern Gateway gets underway, the profile of the town as an industrial hotspot will increase, sustaining the growth in market rents and capital values.

The depth of good quality covenants within Redditch will retain interest from investors. However, owner occupiers must continue to be presented with opportunities that enable them to remain in the area. With Redditch lying close to other alternatives, the danger of migration out of the area must be addressed now by presenting opportunities for expansion to the entire business community.



258,921 ft ² Total Take-Up (Freehold and leasehold)	26 Months of supply	4.5% Vacancy Rate	£6.59 2018 Headline Rent (per sq ft)	£77 2018 Average Sales Rate (per sq ft)
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Demand

Take up in 2018 exceeded the 10 year average, with the most notable transaction being the letting of 110,000 sq ft on Shire Business Park, close to Junction 6 of the M5 motorway. Worcester's industrial market has typically been centred around this location and Blackpole to the west. This therefore represents a small geographical "sweet spot" and like the office market, there were few transactions west of the River Severn.

Worcester boasts a strong leasehold market with over 30 transactions in 2018 being lettings, compared to less than 10 freehold purchases. This has arisen from the nature of estate ownership in Worcester, which makes freehold opportunities scarce.

Supply

Supply appears good with 26 months of stock available and a vacancy rate of 4.5% which is above the county average. However, with the average available lot size being above 15,000 sq ft, this paints a distorted picture. Industrial units below the 10,000 sq ft mark are hard to come by, presenting an issue for start-up businesses and those looking to grow.

The constraints of the Worcester industrial sweet spot have been highlighted and this becomes more acute once Worcester city centre has been considered. However, occupiers are not deterred by central locations, as shown by the success of Great Western Business Park.

Rental and Capital Values

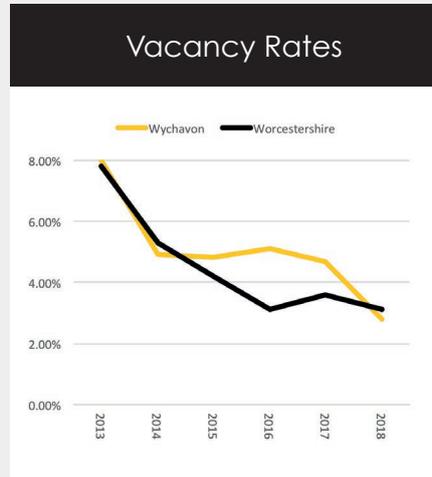
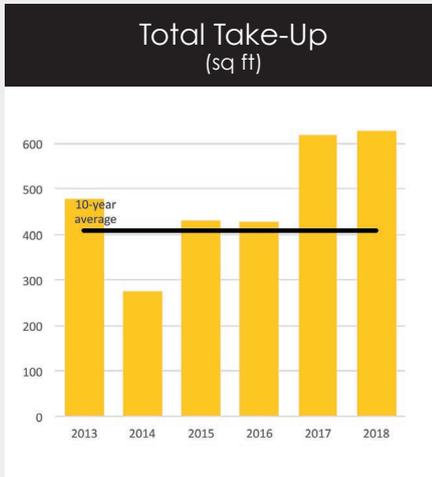
The strong leasehold market has put upwards pressure on rental levels with the average market rent jumping 50p to £6.26 per sq ft. There is also a lack of disparity between headline and average rental levels, again showing the lack of new build opportunities and the competition for existing stock.

Capital values have increased steadily, but, with few transactions, any significant gains have been capped. This has led to capital values remaining at an average of £77 per sq ft, which is low given the lack of space within the submarket.

Outlook

Worcester cannot afford to lose its prime industrial space to alternative uses such as residential, as shown by the 2018 take up level, which was the second highest of all six Worcestershire districts, remarkable given the size of the submarket.

A balance needs to be struck between residential, office and industrial users, with there being areas of the city that suit each occupier. As with any county city, there is a large population which not only needs housing, but a place to work. In order to encourage existing occupiers to remain in the city and present this workforce with employment opportunities, new good quality space needs to be made readily available.



Demand

Wychavon's industrial market is well catered for with the likes of existing estates such as Hartlebury Trading Estate, Pershore Trading Estate and Vale Park in Evesham.

Take up in 2018 was the highest of all six districts in the county, with a high proportion of this being attributed to the large lettings at Worcester Six. Large units such as these and those found at Stonebridge Cross in Droitwich have been acquired by leasehold occupiers who dominate this market.

The freehold market has also been active with over 120,000 sq ft of purchases in 2018.

Supply

This record demand is well catered for with the likes of new developments such as Worcester Six and Asparagus Way in Evesham. Considering this influx of space, vacant rates have fallen to 2.80%, marginally below the county average. The addition of these units has also affected the current supply pipeline at 46 months.

Institutional owned estates are catering well for the leasehold market. However, freehold opportunities need to be made available.

Rental and Capital Values

Average market rents have increased across the submarket over recent years, having pushed over the £5.50 per sq ft mark in 2018. Headline rental levels in Wychavon are much higher than the rest of the

county and are being achieved on good quality "business units" under 1,500 sq ft that offer office and industrial space – with rates of over £9.00 per sq ft being achieved in Pershore and on Hartlebury Trading Estate. Aside from distorting the figures, this shows that county-wide more of these types of units are required as the demand for them is high.

Capital values have performed well over recent years with the average sales rate being at £73 per sq ft at the end of 2018. The future growth of this may be limited due to the lack of new build stock that is available to freehold purchasers.

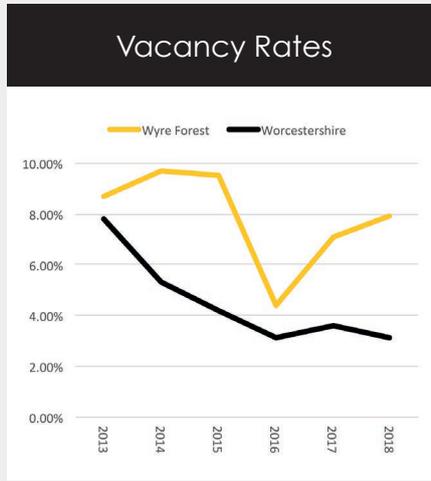
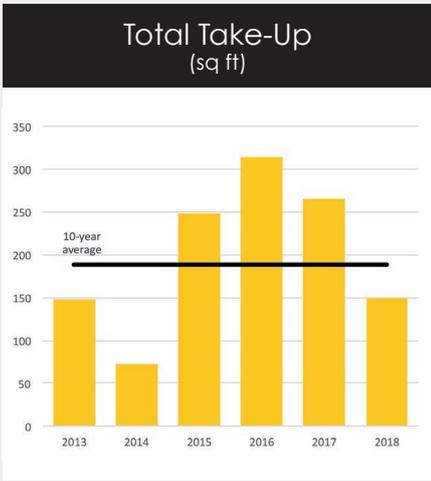
Outlook

Wychavon boasts a wealth of opportunity with space and connectivity to the M5 motorways, A44, A46 and A442. It is great to see developments such as Worcester Six capitalising on these points and this scheme has brought high profile occupiers to the area and to Worcestershire as a whole.

Wychavon also needs to cater for the SME market by providing units in the range up to 50,000 sq ft and making these available to freehold purchasers, as well as leasehold occupiers. There is a real demand for this type of stock in Droitwich, Pershore and Evesham.



150,158 ft ² Total Take-Up (Freehold and leasehold)	31 Months of supply	7.9% Vacancy Rate	£5.29 2018 Headline Rent (per sq ft)	£65 2018 Average Sales Rate (per sq ft)
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Demand

Take up in 2018 was strong at over 150,000 sq ft and close to the 10-year average. Highlight transactions include the letting of over 50,000 sq ft at Cursley Distribution Park.

Demand in the area has focused on the developments around Stourport Road, Kidderminster with the likes of Finepoint Way and Ratio Park offering good quality options to occupiers.

The continued need for good quality space is shown in the lack of disparity between headline and average market rents.

The Wyre Forest boasts a successful manufacturing past and ageing stock presents opportunities to reach out to modern day occupiers.

Supply

Vacancy rates have fluctuated above the county average and at the end of 2018 they were high at 7.90%. This is partially due to the unit sizes that are currently on the market and vacancy rates can fall (or increase) depending on large transactions.

Availability rates per sq ft are up 41% from this time last year, with options being present for both freehold and leasehold occupiers.

The existing available stock and development opportunities should appeal to nearby Black Country occupiers who are struggling to expand and need space.

Rental and Capital Values

Market rental levels are increasing as quality industrial and warehouse accommodation is being introduced to the market. In comparison to the rest of the county, rental rates are low presenting leasehold occupiers with affordable space they might not get elsewhere.

Average sales rates are also low at £65 per sq ft, most likely to be the result of newer stock being retained by investors and institutional landlords. As more quality options are presented to freeholders, the average sales rate is expected to improve.

Outlook

The Wyre Forest submarket has strong links to its manufacturing past, similar to neighbouring West Midlands areas and the Black Country. The space and brownfield sites left behind by these occupiers, particularly those vacated by former carpet manufacturers, can increase options for developers which will attract new occupiers.

The business and industrial community has become established along the Stourport Road in Kidderminster and the area has space to replicate this elsewhere.

The Wyre Forest has past history which presents huge potential to future occupiers.

Why Choose GJS Dillon?



The underlying ethos of GJS Dillon is to provide invaluable local knowledge and property expertise, together with an uncompromising personal service. We feel that nobody knows the regional property market better than we do.

Commercial Property Specialists

Our focus is on the business community and we pride ourselves on knowing which businesses and individuals are looking for business space in our area.

Across the region

We have three strategically placed offices - a Head Office in Droitwich with satellite offices in Bromsgrove and Worcester. This ensures that we receive enquiries for commercial premises from individuals, occupiers, investors and developers throughout Worcestershire, as well as the wider West Midlands area, and from national companies wanting to be in this region.

Excellent track record

We have an established track record working with Worcestershire County Council, Local District Councils, Place Partnership and West Mercia Police on the disposal and management of

their sites and properties within the region and we have been able to demonstrate on numerous occasions our ability to achieve the very best rents and prices.

Fully regulated

The firm is fully regulated by the Royal Institution of Chartered Surveyors and our Directors are all fully qualified RICS Registered Valuers with extensive experience when carrying out valuations and progress update reports for public bodies, pension funds and/or lending institutions.

Large database

We use the very latest Agency Pilot software to track and list all enquiries, applicants and interest on our retained instructions, as well as holding a massive database of commercial and residential developers and occupiers who we know are actively seeking commercial premises and land within the Worcestershire area.

Why choose us

- ▼ **Commercial Property Specialists**
- ▼ **Across the region**
- ▼ **Excellent track record**
- ▼ **Fully regulated**
- ▼ **Large database**
- ▼ **Excellent contacts**

Excellent contacts

We have excellent contacts with local Planning Officers, the Local Enterprise Partnership, Councillors and Economic Development Teams. We pride ourselves on our ability to speed up planning decisions, assist in obtaining grant funding (where possible), and offer assistance with respect to business rates, as well as providing information quickly relating to the wider Worcestershire local economy.



Sales, Lettings and Acquisitions



The Commercial Property Agency Team deals with the sale, letting and acquisition of office, industrial, and retail property, and commercial and residential development land throughout the region.

gjsdillon.co.uk/services/sales-lettings



Professional Services and Valuations



The Professional Services and Valuation Team carries out RICS Red Book Valuations for commercial and residential property, rent reviews and lease renewals.

gjsdillon.co.uk/services/valuations



Property Management



The Property Management Team carries out asset management and service charge management on a number of high profile office, industrial, retail and leisure developments.

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Building Surveying Services



The Building Surveying Team carries out Schedule of Condition and Dilapidation Reports, building surveys (for commercial and residential property) and project management.

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Sales, Lettings and Acquisitions



Professional Services and Valuations



Property Management



Building Surveying Services



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Worcester 01905 28684

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APPENDIX 2 - Rubicon Centre financial modelling

Annual figures

RUBICON CENTRE	Current position			Position @ 21% rent increase			Position @ 48% rent increase			Position @ 66% (top rent)			
	Net lettable (sq ft)	£ / sq ft	Total (£)	£/sq ft	Total (£)	£ /sq ft increase by	£/sq ft	Total (£)	£/sq ft increase by	£/sq ft	Total (£)	£/sq ft increase by	
Office	3,630	18.17	65,957	22.00	79,860	3.83	27.00	98,010.00	8.83		30.35	110,171	12
Workshop	10,195	13.13	133,860	16.00	163,120	2.87	19.40	197,783.00	6.27		20.22	206,143	7
INCOME @	100% occupancy		199,817		242,980			295,793.00				316,313	
	85% occupancy		169,845		206,533			251,424.05				268,866	
	70% occupancy		139,872		170,086			207,055.10				221,419	
	65% occupancy		129,881		157,937			192,265.45				205,604	
EXPENDITURE @	100% occupancy		195,616										
	85% occupancy		207,707										
	70% occupancy		219,798										
	65% occupancy		223,828										
Balance @ 100% occupancy			4,201		47,364			100,177.00				120,697	
Balance @ 85% occupancy			-37,862		-1,174			43,717.05				61,159	
Balance @ 70% occupancy			-79,926		-49,712			-12,742.90				1,621	
Balance @ 65% occupancy			-93,947		-65,891			-31,562.55				-18,224	

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Business Rates liabilities	Rateable value (£)	Multiplier	Business rates estimate (£) (rateable value x multiplier)	£
		2018-2019		
<i>Rateable value figures as listed on gov.uk website</i>				
RBC space (reception, meeting room, communal office, communal kitchen)	11,220	48p	5,385	
All lettable space (100%)	163,500	49.3p	80,605	
85%			68,514	<i>12,091 25% RBC empty space rates</i>
70%			56,424	<i>24,182 30% RBC empty space rates</i>
65%			52,393	<i>28,212 35% RBC empty space rates</i>

NOTES

The business rates figures are estimates and not the actual figures. However, the rates shown in the accounts as being paid for the empty units are very similar to the figures above. The business rates figures have been estimated by multiplying the rateable value by the multiplier

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By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

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